

# **DEPOSIT PROTECTION LAW REFORM IN RUSSIA: AN EVALUATION**

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A thesis submitted in partial fulfilment of the requirements  
for the degree of Doctor of Philosophy

2012

## **Declaration**

I declare that the investigation described in this thesis is original work undertaken by me between October 2005 and December 2011 at the Department of Law, De Montfort University, UK. This thesis represents my own work except where otherwise attributed.

This thesis is submitted in partial fulfilment of the requirements for the degree of Doctor of Philosophy. Apart from this degree, no other academic degree or award was applied for based on the material contained in this thesis.

## Acknowledgments

I have met many people since embarking on this piece of research and my thanks go to all of them as I complete this chapter of my life.

I am thankful for the guidance and support of my three supervisors, Professor David W. Oughton, Professor Ian Worthington and Professor Chris Willett. I am indebted to Professor Ian Worthington for stepping in when I needed it most and for sticking with me. I would not have completed this research if not for him.

I am grateful to Professor Peter Cartwright for inspiring me to conduct research into the Russian DIS during one of the seminars on international banking regulation at the University of Nottingham, and to the late Professor David Price for believing in me when deciding on the PhD scholarship allocation, even though my claim of having worked at the University of Lapland (which I actually did!) seemed rather suspicious.

My thanks also go to Professor Hussein Zedan, Professor Martyn Denscombe, Joanne Cooke, Sheree Peaple, Martin Davis, Dr Alwyn Jones, Professor Denis Anthony, Dr David Hiles, Jo Samantha, Jenny King and other staff at De Montfort University for all the big and small things that they did for me. Special thanks go to Katherine Hui, Aurora Marino, Andrew Wallace and Deviraj Gill for their friendship in good and bad times!

A research trip to the Library of the Institute of East European Law and Russian Studies at Leiden University in early 2006 gave me an opportunity to collect necessary country-specific information and I am most grateful to Assistant Professor Joop de Kort for making the trip possible. I also thank Professor Michel Tison and Professor Koen Schoors from Ghent University who took time to discuss my research with me.

I greatly appreciate the financial support of De Montfort University and the Filene Research Institute (USA) for this research. The findings and opinions expressed in this thesis are mine, and do not necessarily reflect the views of De Montfort University or the Filene Research Institute (USA).

The data collection would not have been possible without support of Nadezhda Savinskaya at the Central Bank of Russia and Andrey Melnikov at the Russian Deposit

Insurance Agency. I am equally thankful to all those depositors and bank staff who took part in my investigation – it would not have been possible without them.

Last but not least, I would like to express my gratitude to my family for their love and encouragement. Whilst I know that my ‘PhD journey’ was not as straight forward as my parents might have wished for, I still hope they are proud of me!

I am most grateful to Matthias Ladkau for his love and support, for not letting me give up every time I thought I had had enough, and for keeping me focused. Writing up a PhD thesis is not an easy task and I am truly lucky to have had such a supporter by my side!

*“It always seems impossible until it is done...”*

*–Nelson Mandela (1918-)*

## **Abstract**

In late 2003 after two financial crises and many years of deliberation, the Russian Government introduced a deposit insurance scheme (DIS) aimed primarily at protecting the savings of the population. The DIS's stated objectives were to protect the right and legal interests of depositors, to strengthen public confidence in the banking system, and to encourage household savings. Recent official assessments of the scheme have been, at best, partial, have tended to use government statistics and have failed to establish a link between the banking sector outputs and the impact of the DIS.

This thesis undertakes a detailed evaluation of the Russian DIS based on a comprehensive analysis of vast literature on deposit insurance schemes globally covering rationales for its establishment and its main features, as well as of the relevant Russian legislation and past attempts at evaluating the Russian DIS which were somewhat patchy. Adopting a cross-sectional, mixed methods approach, the study reports on the findings that emerged from a combination of surveys, interviews and observations conducted at six participating Russian banks in spring 2009. These were supplemented by documentary evidence from the banks and the Russian Deposit Insurance Agency. To facilitate the analysis and interpretation of the data, a theoretical framework was devised, and included a set of success criteria and impact indicators.

The results of the analysis indicate that the Russian DIS does not appear to have fully achieved its stated objectives. Irrefutably, the Russian Government failed to establish an effective institutional and regulatory environment which could have enforced uniform provision of information about the DIS to retail depositors. This is evidenced by visible differences among bank practices in relation to the implementation of the DIS.

Consequently, as a result of these variations in implementation, the retail depositors' understanding of the DIS and its perceived impact differs depending on which bank they patronise.

This research provides a number of original theoretical, empirical, analytical and methodological contributions.

# Contents

|   |             |
|---|-------------|
| <b>ABSTRACT.....</b>  | <b>I</b>    |
| <b>CONTENTS.....</b>  | <b>II</b>   |
| <b>LIST OF TABLES .....</b>   | <b>VI</b>   |
| <b>LIST OF FIGURES.....</b>   | <b>VIII</b> |
| <b>LIST OF EQUATIONS .....</b>  | <b>X</b>    |
| <b>ABBREVIATIONS.....</b>   | <b>XI</b>   |
| <b>CHAPTER 1 INTRODUCTION .....</b>                                     | <b>1</b>    |
| 1.1    DEFINITIONS .....  | 2           |
| 1.2    INTERNATIONAL CONTEXT OF DEPOSIT INSURANCE .....                 | 4           |
| 1.3    RUSSIAN CONTEXT OF DEPOSIT INSURANCE .....                       | 4           |
| 1.4    RESEARCH PURPOSE AND RESEARCH QUESTION .....                     | 5           |
| 1.4    INTERDISCIPLINARY RESEARCH: LAW AND PUBLIC POLICY .....          | 5           |
| 1.5    ORIGINAL CONTRIBUTION OF THIS THESIS .....                       | 7           |
| 1.6    STRUCTURE OF THE THESIS .....                                    | 7           |
| <b>CHAPTER 2 LITERATURE REVIEW .....</b>                                | <b>11</b>   |
| 2.1    DEPOSIT INSURANCE AS A GOVERNMENTAL PROGRAMME .....              | 11          |
| 2.2    DEPOSIT INSURANCE AS PART OF CONSUMER PROTECTION .....           | 38          |
| 2.3    PUBLIC POLICY IMPLEMENTATION AND EVALUATION .....                | 50          |
| 2.4    SUMMARY.....   | 57          |
| <b>CHAPTER 3 OVERVIEW OF THE RUSSIAN DEPOSIT INSURANCE SCHEME .....</b> | <b>58</b>   |
| 3.1    HISTORY OF THE RUSSIAN BANKING SYSTEM.....                       | 58          |
| 3.2    MAIN FEATURES OF THE CURRENT RUSSIAN DIS .....                   | 71          |
| 3.3    PAST EVALUATIONS OF THE RUSSIAN DIS .....                        | 76          |
| 3.4    SUMMARY.....   | 98          |
| <b>CHAPTER 4 METHODOLOGY .....</b>                                      | <b>100</b>  |

|  |   |            |
|--|---|------------|
| 4.1  | RESEARCH PURPOSE .....  | 100        |
| 4.2  | RESEARCH QUESTION.....  | 101        |
| 4.3  | RESEARCH DESIGN.....  | 101        |
| 4.4  | METHODS OF DATA COLLECTION .....  | 122        |
| 4.5  | METHODS OF DATA ANALYSIS .....  | 142        |
| 4.6  | LIMITATIONS OF THE CHOSEN METHODOLOGY.....  | 152        |
| 4.7  | ETHICAL IMPLICATIONS OF THE CHOSEN METHODOLOGY .....  | 153        |
| 4.8  | SUMMARY.....  | 155        |
| <b>CHAPTER 5 QUANTITATIVE DATA ANALYSIS.....</b>               |   | <b>156</b> |
| 5.1  | DESCRIPTION OF THE SURVEY DATA .....  | 157        |
| 5.2  | FINDINGS FROM RETAIL DEPOSITORS' SURVEY IN RELATION TO OBJECTIVE 1 "To<br>PROTECT THE RIGHTS AND LEGAL INTERESTS OF HOUSEHOLD DEPOSITORS" .....             | 160        |
| 5.3  | FINDINGS FROM RETAIL DEPOSITORS' SURVEY IN RELATION TO OBJECTIVE 2 "To<br>STRENGTHEN PUBLIC CONFIDENCE IN THE BANKING SYSTEM" .....                         | 176        |
| 5.4  | FINDINGS FROM RETAIL DEPOSITORS' SURVEY IN RELATION TO OBJECTIVE 3 "To<br>ENCOURAGE HOUSEHOLD SAVINGS IN THE BANKING SYSTEM OF THE RUSSIAN FEDERATION"..... | 184        |
| 5.5  | SUMMARY.....  | 190        |
| <b>CHAPTER 6 QUALITATIVE DATA ANALYSIS.....</b>                |   | <b>192</b> |
| 6.1  | DESCRIPTION OF THE INTERVIEWS DATA .....  | 192        |
| 6.2  | FINDINGS FROM THE INTERVIEWS IN RELATION TO OBJECTIVE 1 "To PROTECT RIGHTS<br>AND LEGAL INTERESTS OF BANKS' DEPOSITORS" .....                               | 195        |
| 6.3  | FINDINGS FROM THE INTERVIEWS IN RELATION TO OBJECTIVE 2 "To STRENGTHEN<br>PUBLIC CONFIDENCE IN THE BANKING SYSTEM" .....                                    | 269        |
| 6.4  | FINDINGS FROM THE INTERVIEWS IN RELATION TO OBJECTIVE 3 "To ENCOURAGE<br>HOUSEHOLD SAVINGS IN THE BANKING SYSTEM OF THE RUSSIAN FEDERATION" .....           | 274        |
| 6.5  | SUMMARY.....  | 282        |
| <b>CHAPTER 7 DOCUMENT AND OBSERVATIONAL DATA ANALYSIS.....</b> |   | <b>283</b> |
| 7.1  | DESCRIPTION OF DATA .....   | 283        |



|   |   |            |
|---|---|------------|
| 7.2   | FINDINGS FROM IN-BRANCH OBSERVATIONS AND FROM DOCUMENT ANALYSIS IN<br>RELATION TO OBJECTIVE 1 “TO PROTECT THE RIGHTS AND LEGAL INTERESTS OF HOUSEHOLD<br>DEPOSITORS” .....              | 284        |
| 7.3   | FINDINGS FROM IN-BRANCH OBSERVATIONS AND FROM DOCUMENT ANALYSIS IN<br>RELATION TO OBJECTIVE 2 “TO STRENGTHEN PUBLIC CONFIDENCE IN THE BANKING SYSTEM”                                   | 307        |
| 7.4   | FINDINGS FROM IN-BRANCH OBSERVATIONS AND FROM DOCUMENT ANALYSIS IN<br>RELATION TO OBJECTIVE 3 “TO ENCOURAGE HOUSEHOLD SAVINGS IN THE BANKING SYSTEM OF<br>THE RUSSIAN FEDERATION” ..... | 311        |
| 7.5   | SUMMARY .....   | 317        |
| <b>CHAPTER 8 DISCUSSION.....</b>  |   | <b>319</b> |
| 8.1   | RESEARCH PURPOSE AND RESEARCH QUESTION .....  | 319        |
| 8.2   | MAIN FINDINGS IN RELATION TO OBJECTIVE 1 “TO PROTECT THE RIGHTS AND LEGAL<br>INTERESTS OF HOUSEHOLD DEPOSITORS” .....   | 320        |
| 8.3   | MAIN FINDINGS IN RELATION TO OBJECTIVE 2 “TO STRENGTHEN PUBLIC CONFIDENCE<br>IN THE BANKING SYSTEM” .....   | 329        |
| 8.4   | MAIN FINDINGS IN RELATION TO OBJECTIVE 3 “TO ENCOURAGE HOUSEHOLD SAVINGS<br>IN THE BANKING SYSTEM OF THE RUSSIAN FEDERATION” .....  | 332        |
| 8.5   | SUMMARY OF THE MAIN FINDINGS IN RELATION TO THE STATED OBJECTIVES OF THE<br>DIS .....   | 336        |
| 8.6   | DISCUSSION OF THE MAIN FINDINGS AGAINST THE LITERATURE .....  | 338        |
| 8.7   | SUMMARY .....   | 346        |
| <b>CHAPTER 9 CONCLUSION .....</b>   |   | <b>348</b> |
| 9.1   | SUMMARY OF THE THESIS .....   | 349        |
| 9.2   | CONTRIBUTIONS .....   | 352        |
| 9.3   | LIMITATIONS .....   | 355        |
| 9.4   | FURTHER RESEARCH .....  | 356        |
| <b>LIST OF REFERENCES .....</b>   |   | <b>358</b> |
| <b>APPENDIX 1 RUSSIAN FEDERAL LAW ON THE DIS.....</b>                                 |   | <b>379</b> |
| <b>APPENDIX 2 CANADA DEPOSIT INSURANCE CORPORATION 2010 TV<br/>ADVERTISEMENT.....</b> |   | <b>408</b> |

|   |            |
|---|------------|
| <b>APPENDIX 3 SUMMARY OF THE RESULTS OF 2007 STUDY .....</b>  | <b>409</b> |
| <b>APPENDIX 4 COPY OF A PREVIOUS BROCHURE ON THE DIS IN RUSSIA .....</b>  | <b>416</b> |
| <b>APPENDIX 5 COPY OF THE MOST RECENT BROCHURE ON THE DIS IN RUSSIA...</b>  | <b>418</b> |
| <b>APPENDIX 6 RESULTS OF THE PILOT RETAIL DEPOSITOR SURVEY .....</b>  | <b>420</b> |
| QUESTIONNAIRE.....  | 420        |
| OVERVIEW OF THE RESULTS.....  | 424        |
| <b>APPENDIX 7 QUESTIONNAIRE FOR BANKS A1, B1, C1 AND D1 .....</b>   | <b>426</b> |
| <b>APPENDIX 8 QUESTIONNAIRE FOR BANK A2.....</b>  | <b>429</b> |
| <b>APPENDIX 9 QUESTIONNAIRE FOR BANK D2.....</b>  | <b>432</b> |
| <b>APPENDIX 10 TRANSLATION OF QUESTIONS IN THE QUESTIONNAIRE FOR BANKS<br/>A1, B1, C1 AND D1 .....</b>              | <b>435</b> |
| <b>APPENDIX 11 DESCRIPTION OF METHODS USED TO CAPTURE, VERIFY AND<br/>VALIDATE THE QUANTITATIVE DATA .....</b>      | <b>439</b> |
| <b>APPENDIX 12 DETAILED ANALYSIS OF RETAIL DEPOSITORS' SURVEY DATA IN<br/>DISAGGREGATE FORM .....</b>               | <b>442</b> |
| <b>APPENDIX 13 INTERVIEW SCHEDULE (LIST OF QUESTIONS) FOR BANK CLERKS</b>   | <b>486</b> |
| <b>APPENDIX 14 INTERVIEW SCHEDULE (LIST OF QUESTIONS) FOR HEADS OF<br/>BRANCH .....</b>                             | <b>488</b> |
| <b>APPENDIX 15 INTERVIEW SCHEDULE (LIST OF QUESTIONS) FOR MARKETING<br/>STAFF .....</b>                             | <b>491</b> |
| <b>APPENDIX 16 TRANSLATION OF QUESTIONS IN INTERVIEW SCHEDULE (LIST OF<br/>QUESTIONS) FOR BANK CLERKS.....</b>      | <b>494</b> |
| <b>APPENDIX 17 TRANSLATION OF QUESTIONS IN INTERVIEW SCHEDULE (LIST OF<br/>QUESTIONS) FOR HEADS OF BRANCH .....</b> | <b>495</b> |
| <b>APPENDIX 18 TRANSLATION OF QUESTIONS IN INTERVIEW SCHEDULE (LIST OF<br/>QUESTIONS) FOR MARKETING STAFF.....</b>  | <b>497</b> |
| <b>APPENDIX 19 MAP OF BRANCHES OF THE SIX PARTICIPATING BANKS.....</b>  | <b>499</b> |

## List of Tables

|   |     |
|---|-----|
| Table 2.1 International Monetary Fund’s Good Practices for Deposit Insurance .....                                  | 32  |
| Table 2.2 Core Principles for Effective Deposit Insurance Systems .....   | 35  |
| Table 3.1 Timeline of amendments to the Federal Law and other legislation in relation to depositor protection ..... | 67  |
| Table 3.2 Retail depositors’ attitudes to bank accounts since the adoption of the DIS, in percentage.....           | 77  |
| Table 3.3 Preferences about savings among the Russian population after the establishment of the DIS .....           | 78  |
| Table 3.4 Preferences about savings among the Russian population between 1998 and 2010, in percentage.....          | 81  |
| Table 3.5 Respondents’ knowledge about the DIS, in percentage. ....   | 82  |
| Table 3.6 Respondents’ knowledge about the maximum compensation amount, in percentage.....                          | 82  |
| Table 3.7 Changes in the structural indicators of the DIS in Russia, by years .....                                 | 83  |
| Table 4.1 Four existing research strategies (logics of inquiry).....  | 111 |
| Table 4.2 Application of a critical realism paradigm to the present investigation. ....                             | 113 |
| Table 4.3 How the impact indicators will be operationalised through the four methods of data collection. ....       | 139 |
| Table 4.4 Sample calculations of $\psi_p$ and $\psi_n$ values .....   | 148 |
| Table 5.1 Survey returns by bank.....   | 157 |
| Table 5.2 Survey respondents by age.....  | 158 |
| Table 5.3 Respondents’ reasons for choosing the bank they patronise .....   | 160 |
| Table 5.4 Respondents’ awareness of maximum deposit insurance compensation amount .....                             | 161 |
| Table 5.5 Respondents knowledge of sources of further information about the DIS ....                                | 165 |
| Table 5.6 Respondents’ perception of protection under the DIS following its introduction of the DIS in 2004 .....   | 167 |

|   |     |
|---|-----|
| Table 5.7 Respondents' awareness of their bank's membership in the DIS .....  | 169 |
| Table 5.8 How the respondents were informed about the DIS at the bank they patronise<br>.....   | 170 |
| Table 5.9 Respondents' attitudes to information provision .....   | 170 |
| Table 5.10 How did the respondents hear about the changes in the DIS which took place<br>in October 2008 .....  | 171 |
| Table 5.11 Respondents' confidence in the safety of the money deposited in the bank .   | 176 |
| Table 5.12 Respondents' level of confidence in the banking system following the<br>introduction of the DIS in 2004.....   | 177 |
| Table 5.13 Respondents' view of the link between the introduction of the DIS and a<br>change in the level of confidence in the banking system .....                                 | 178 |
| Table 5.14 Respondents' level of confidence in the banking system following the change<br>in the parameters of the DIS in October 2008.....   | 178 |
| Table 5.15 Respondents' agreement with the statement "I recommend to family and<br>friends to place their money in savings accounts" .....  | 183 |
| Table 5.16 How did the respondents react, or were planning to react at the time of<br>survey, to the changes in the parameters of the DIS which took place in October 2008<br>..... | 185 |
| Table 5.17 Respondents' saving behaviour following the introduction of the DIS in 2004<br>.....   | 187 |
| Table 5.18 Respondents' view of the link between the introduction of the DIS and the<br>change in the saving behaviour, if any .....  | 188 |
| Table 6.1 Overview of respondents from 6 participating banks.....   | 194 |
| Table 6.2 Clerks' view of retail depositors' questions on the DIS. ....   | 201 |
| Table 6.3 Main groups of retail depositors who ask questions about the DIS .....  | 205 |
| Table 6.4 Methods used by banks in order to attract new depositors.....   | 215 |
| Table 6.5 Clerks' recollection of objectives of the DIS.....  | 226 |
| Table 6.6 Clerks' understanding of how the DIS works .....  | 230 |

|  |     |
|--|-----|
| Table 6.7 Familiarity of bank clerks with the Federal Law and the DIA's<br>Recommendations.....                      | 234 |
| Table 6.8 Senior bank staff's recollection of objectives of the DIS.....   | 235 |
| Table 6.9 Familiarity of senior bank staff with the Federal Law and the DIA's<br>Recommendations.....                | 237 |
| Table 6.10 Methods used to receive information on changes in the DIS, internally within<br>banks .....               | 238 |
| Table 6.11 Points of consultation for bank clerks when faced with a difficult question<br>about the DIS.....         | 241 |
| Table 6.12 The format of information about the DIS provided to retail depositors.....                                | 250 |
| Table 6.13 Information about the DIS provided to retail depositors by banks .....                                    | 257 |
| Table 6.14 Methods used by banks in order to inform retail depositors about the changes<br>in the DIS .....          | 267 |
| Table 7.1 Details of different savings accounts launched by banks in Russia using the<br>parameters of the DIS ..... | 290 |
| Table 7.2 Summary of compliance with the Recommendations by six participating banks<br>.....                         | 295 |

## List of Figures

|   |    |
|---|----|
| Figure 1.1 Types of legal research.....   | 6  |
| Figure 2.2 The chronology of introduction of DISs in CEE and former USSR countries<br>..... | 21 |
| Figure 2.3 Key elements of a DIS.....   | 24 |
| Figure 2.4 Asymmetries in access to bank performance relevant information (BPRI) ...        | 42 |
| Figure 3.5 Respondents' knowledge about the DIS, in percentage.....                         | 85 |
| Figure 3.6 Familiarity of respondents with the DIS sign, in percentage .....                | 86 |

|  |     |
|--|-----|
| Figure 3.7 Respondents' usage of banking services at the time of surveys, in percentage .....  | 88  |
| Figure 3.8 Number of banks with deposit-taking banking licence and those participating in the DIS .....  | 90  |
| Figure 4.9 Roadmap for research design.....  | 105 |
| Figure 4.10 The multiple contexts of the structure of reality involving the DIS.....   | 107 |
| Figure 4.11 The stratified reality according to the critical realist paradigm .....  | 108 |
| Figure 4.12 Data collection techniques used in the present investigation .....   | 129 |
| Figure 5.13 Distribution of responses to a question about depositors' perceived knowledge about the DIS, by bank.....  | 163 |
| Figure 5.14 Distribution of responses to a question about depositors' perceived knowledge of where to find additional information about the DIS, by bank .....                             | 166 |
| Figure 5.15 Levels of perception of retail depositors about the protection of their rights and legal interests under the DIS by bank, in percentage .....                                  | 168 |
| Figure 5.16 Levels of knowledge among the retail depositors of whether their bank is a member of the DIS, by bank, in percentage .....   | 172 |
| Figure 5.17 Distribution of responses with regard to perceived changes in the level of confidence in the banking system among the depositors, by bank.....                                 | 179 |
| Figure 5.18 Distribution of responses with regard to a perceived influence of the DIS on the changes in the levels of confidence in the banking system among the depositors, by bank ..... | 181 |
| Figure 5.19 Distribution of responses in relation to a perceived change in the level of confidence in the banking system since October 2008, by bank.....                                  | 182 |
| Figure 5.20 Distribution of responses in relation to a perceived influence of the DIS on changes in retail depositors' saving behaviour, by bank.....                                      | 190 |
| Figure 7.21 Number of days taken by the DIA to start the deposit insurance compensation process from the date of the insured event .....   | 285 |
| Figure 7.22 The volume of retail deposits in RUB and in foreign currency (RUB equivalent) in Russia in 1998-2010, in RUB million .....   | 310 |

|   |     |
|---|-----|
| Figure 7.23 Total volume of retail deposits in six participating banks in 1999-2010, in RUB billion ..... | 312 |
| Figure 7.24 Total volume of retail and total deposits in Bank A1 in 1999-2010, in RUB billion .....       | 313 |
| Figure 7.25 Total volume of retail and total deposits in Bank A2 in 1999-2010, in RUB billion .....       | 314 |
| Figure 7.26 Total volume of retail and total deposits in Bank B1 in 1999-2010, in RUB billion .....       | 314 |
| Figure 7.27 Total volume of retail and total deposits in Bank C1 in 1999-2010, in RUB billion .....       | 315 |
| Figure 7.28 Total volume of retail and total deposits in Bank D1 in 1999-2010, in RUB billion .....       | 316 |
| Figure 7.29 Total volume of retail and total deposits in Bank D2 in 1999-2010, in RUB billion .....       | 317 |

## List of Equations

|   |     |
|---|-----|
| Equation 4.1 Formula for calculating $\psi_p$ value.....        | 145 |
| Equation 4.2 Formula for calculating $\psi_{p\max}$ value ..... | 145 |
| Equation 4.3 Formula for calculating $\psi_n$ value.....        | 146 |
| Equation 4.4 Formula for calculating $\psi_{n\max}$ value ..... | 146 |

## Abbreviations

|      |   |
|------|---|
| BCSB | Basel Committee on Banking Supervision        |
| BPRI | bank performance relevant information         |
| CBR  | Central Bank of the Russian Federation        |
| CDIC | Canada Deposit Insurance Corporation          |
| CEE  | central and eastern Europe                    |
| DI   | deposit insurance                             |
| DIA  | Russian Deposit Insurance Agency              |
| DIS  | deposit insurance scheme                      |
| EUR  | Euro  |
| FDIC | Federal Deposit Insurance Corporation         |
| FSAP | Financial Sector Assessment Program           |
| FSVC | Financial Services Volunteer Corps            |
| IADI | International Association of Deposit Insurers |
| IDIS | International Deposit Insurance Survey        |
| IMF  | International Monetary Fund                   |
| NZD  | New Zealand Dollar                            |
| RUB  | Russian Rouble                                |
| USD  | US Dollar                                     |
| USSR | Union of Soviet Socialist Republics           |



# Chapter 1

## Introduction

*“A journey of a thousand miles must begin with a single step.”*

*–Lao Tzu (600-531 BC)*

This thesis examines in detail a Russian deposit protection law reform, its implementation in the Russian banking sector and the outcome it has had on retail depositors in Russia. This chapter gives the background to the research, sets out the research purpose and the research question, defines certain terms used within the thesis, and explains the way this thesis is structured.

Russian deposit protection law reform was carried out to fulfil three objectives, namely (i) to protect the rights and legal interests of depositors, (ii) to strengthen public confidence in the banking system, and (iii) to encourage household savings in the banking system.

This research is aimed at evaluating the effectiveness of the Russian deposit insurance scheme, i.e. to match the outcomes to the stated objectives. It is not the main concern of this investigation to judge whether or not the Russian Federation has chosen the best way to regulate deposit protection, or to consider alternative forms of regulation of deposit protection that might have been used by the Russian legislator. Moreover, this study does not judge whether the chosen parameters of the Russian deposit insurance scheme are good or bad. The main purpose of the present investigation is to examine whether the scheme that has already been implemented has achieved its stated objectives.

The scope of this investigation does not include an attempt to demonstrate the benefits and negatives of deposit protection arrangements in general. This research, however, does examine what deposit protection is, when a government may decide to introduce it and who may benefit from it (the stakeholders). Whilst a comparative legal analysis is

not the objective of this study there is, nevertheless, an account of deposit protection arrangements in other countries (USA, Europe, former USSR countries) in order to provide a broader international perspective only. This study neither identifies the shortcomings of the present Russian deposit insurance scheme (DIS) nor does it propose possible remedies and changes that would be suitable for Russia to adopt.

The findings of this research highlight the importance of public awareness campaigns when implementing deposit insurance schemes. Consumer awareness of deposit protection is a topical issue, especially in the aftermath of the last global financial crisis and is currently on the agenda of the International Association of Deposit Insurers.

## **1.1 Definitions**

The following key terms are used in this thesis.

### **1.1.1 Deposit Insurance**

Briscoe and Fuller include only two relevant terms in Harriman's Financial Dictionary, namely 'deposit insurance' and 'Deposit Protection Scheme' (Briscoe and Fuller, 2007: 96-97). They define 'deposit insurance' with reference to the US federal insurance schemes for banks and credit unions, whilst their definition of 'Deposit Protection Scheme' refers to a UK scheme.

Flannery uses the term 'deposit insurance' and states that "deposit insurance (DI) transfers the risk of default losses from bank depositors to the government or a consortium of private financial firms" (Flannery, 1992: 630).

Bernet and Walter (2009) use the terms "deposit insurance" and "deposit protection" interchangeably. They define a DIS as a scheme that "<...> contains the explicit guarantee of an institution (deposit insurance), usually limited as far as the sum is concerned, in respect of a precisely-defined category of depositors of specific financial institutions (mostly banks or other financial intermediaries with depositors from public) in case of a shortfall in precisely-defined deposit classes" (Bernet and Walter, 2009: 15).

Kyei (1995) uses the terms 'deposit protection', 'deposit guarantee' and 'deposit insurance' interchangeably throughout his working paper:

[t]his paper is a survey of *depositor protection* schemes and it is the first part of a broader project on *deposit guarantee* arrangements. <...> The paper is partly based on responses to a 1992 Questionnaire on Bank Supervision and Deposit Insurance <...>, which posed in the area of *deposit insurance* the following questions <...>. (Kyei, 1995: 1)<sup>1</sup>

For the purposes of this thesis, the terms ‘deposit protection’, ‘deposit insurance’ and ‘deposit guarantee’ have the same meaning and are used interchangeably. The abbreviation DI refers to all of these terms. The abbreviation DIS means either ‘deposit insurance scheme’ or ‘deposit insurance system’, and represents a set of features and arrangements related to DI in any given country.

### 1.1.2 Deposit

Laurinavičius (2006: 291) argues that a ‘deposit’ is a “personal claim against the bank”, which means that a deposit is a bank account with a positive balance.

Russian Federal Law uses terms “vklad”<sup>2</sup> and “schot” to describe current and savings bank accounts respectively.

For the purposes of this thesis a current account means a bank account for every day transactions, whilst a savings account means an account where money is deposited for a short or long term and certain interest can be accumulated. Moreover, the term ‘deposit’ means any type of bank account with money in it.

### 1.1.3 Retail Depositor

Cartwright (2001) notes that there is no universally agreed definition of ‘consumer’.

It has always been recognised in civil law that a person who is “dealing as a consumer” buys goods or services “ordinarily supplied for private use or consumption” (Borrie, 1984: 10), or “for private purposes” (Howells, Ramsay, and Wilhelmsson, 2010: 3).

For the purposes of this thesis, a depositor is a consumer who uses banking products and services. There are two types of depositor, namely retail depositors who use banking products and services for personal use, and business depositors. Since the Russian DIS

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<sup>1</sup> Emphasis added.

<sup>2</sup> Transliteration throughout this thesis follows the rules of the European Commission (2011: 85-86).

only covers retail depositors, the terms ‘depositor’, ‘retail depositor’, and ‘consumer’ mean the same and are used interchangeably.

## **1.2 International Context of Deposit Insurance**

DIS is a public policy which, when implemented, provides compensation to depositors should their bank find itself unable to return their deposits (Cranston, 2002; Ellinger, Lomnicka, and Hooley, 2005). The principal public policy objectives of a DIS are financial stability and depositor protection (Carisano, 1992; Diamond and Dybvig, 1983; Hoelscher, 2011; Kyei, 1995; Lee and Kwok, 2000; MacDonald, 1996).

DIS is seen as part of a wider financial safety net, alongside other components like the lender of last resort, regulation and supervision, bank insolvency and resolution laws and cooperation and resolution processes (see, for example, Bernet and Walter, 2009; Carisano, 1992; Hoelscher, 2011).

There are numerous features of a DIS and different regulatory and institutional environments, which result in each DIS being unique and country-specific. Despite this, international organisations like the World Bank, the International Monetary Fund (IMF), the International Association of Deposit Insurers (IADI), and the Basel Committee on Banking Supervision (BCBS) managed to develop core principles which benefit those countries that consider the adoption or the reform of a DIS.

## **1.3 Russian Context of Deposit Insurance**

Russia experienced dramatic and sustained economic problems in 1992-1998 (Bacon, 2006) and, after a major financial crisis in 1998, it became clear that deposit protection mechanisms in Russia were illusory. Important changes in financial regulation have taken place since then and Butler (2003) indicates that the banking climate in Russia improved by the year 2000 with only 7.8% of all banks experiencing serious difficulties, paving the way for further reforms in the banking sector.

Nevertheless, it was not until several years after the 1998 financial default that the Russian government and the banking community could agree on the features of the DIS.

The introduction of the DIS in late 2003 is one of the major banking system reforms of the past decade, and is aimed at protecting retail depositors, increasing public confidence in the banking system, and encouraging household savings. However, until recently it was not clear whether the newly introduced DIS was achieving its stated objective and was capable of sustaining a trusting depositor-bank relationship. This research commenced after the Russian DIS was implemented and followed the main changes to the current scheme.

## **1.4 Research Purpose and Research Question**

The research purpose of this investigation is to evaluate the Russian DIS against its stated objectives and to identify possible problems with implementation of the 2003 reform.

The aim of this thesis is to address the following research question

**‘Has the Russian DIS achieved its stated objectives?’**

The following overall objectives guided this investigation:

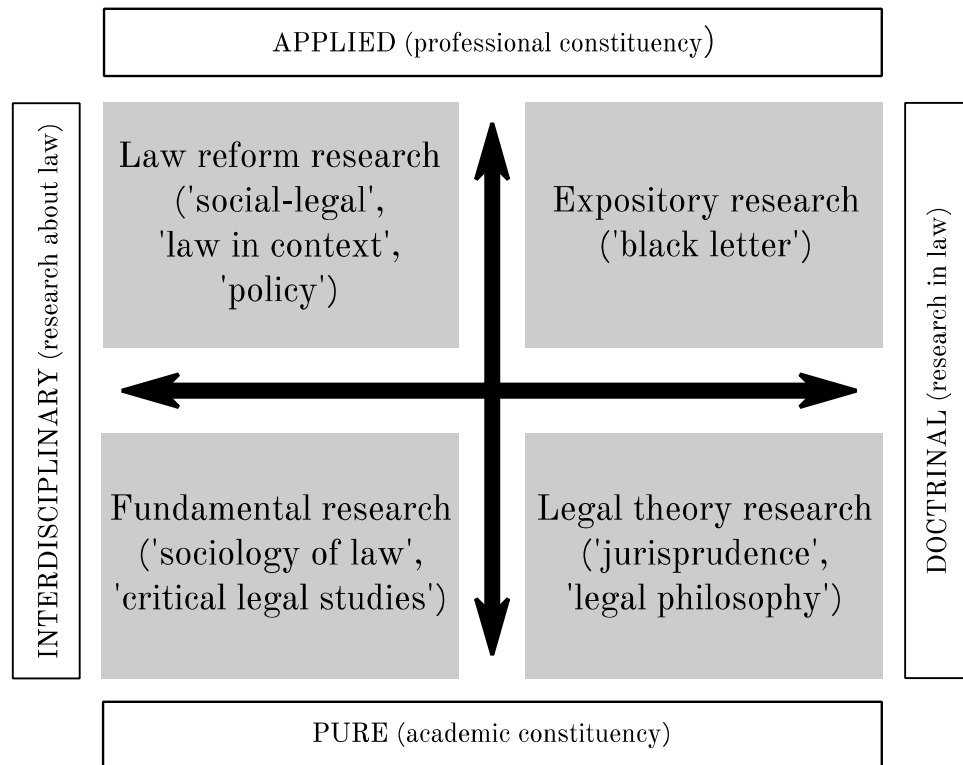
- To examine the establishment of the Russian DIS and the context within which it was introduced;
- To identify the stated objectives in devising and implementing the Russian DIS;
- To analyse how the Russian deposit protection scheme has been implemented within the Russian banking system;
- To evaluate the success of the scheme in achieving its stated objectives.

To help answer the research question, the present investigation will gather data in relation to each of the three stated objectives and determine how far the DIS has achieved them.

## **1.4 Interdisciplinary Research: Law and Public Policy**

According to Arthurs (1983), there are four types of legal research, depending on whether the research is of a disciplinary or doctrinal nature, or whether it is applied or pure (see Figure 1.1).

**Figure 1.1**  
Types of legal research



Pierre (2006) argues that real life problems can rarely be understood by one academic discipline and require a certain degree of inter-disciplinary work.

The present research fits into the “law reform research” quadrant, represented by the interdisciplinary and applied natures. This thesis looks at the DIS as a governmental programme and, thus, calls for borrowing an appropriate methodology from public policy studies.

Usual legal research methods, although used in the present investigation to a certain extent, were deemed insufficient to answer the research question and, thus, were discarded at the outset. Methodologies in neighbouring academic disciplines were consulted and it was decided to employ an impact evaluation research methodology derived from public policy research. It should be stressed that even though the study uses a research methodology from public policy, it is a legal study and the conclusions, including any policy implications, have a legal focus.

## **1.5 Original Contribution of this Thesis**

A number of studies have been carried out in the area of DI which includes discussion of the rationale of DI, comparisons of different DI arrangements, variations in DIS design and the main features of a DIS (see, for example, Bernet and Walter, 2009; Campbell and Cartwright, 1999; Cariboni, Vanden Branden, Campolongo, and De Cesare, 2008; Carisano, 1992; Cartwright, 1999; Cartwright and Campbell, 2003; Demirgüç-Kunt and Detragiache, 1999, 2002; Demirgüç-Kunt and Kane, 2001, 2002; Demirgüç-Kunt, Kane, and Laeven, 2008b; Demirgüç-Kunt and Sobaci, 2001; Garcia, 1996, 1999, 2000; Hoelscher, Taylor, and Klueh, 2006; Kyei, 1995; Lee and Kwok, 2000; MacDonald, 1996; Nenovsky and Dimitrova, 2003, 2008).

Of particular interest are studies of the Russian banking sector (Karas, Pyle, and Schoors, 2010; Karas, Schoors, and Weill, 2010; Thompson, 2004). Some attempts have been made at evaluating the existing DIS in Russia, however, these have been commissioned by the Russian Deposit Insurance Agency (DIA, 2010b) and are based on statistics provided by the Central Bank of the Russian Federation (CBR). A few independent evaluations of the Russian DIS were either of a doctrinal nature or used CBR statistics and failed to systematically evaluate the Russian DIS (Camara and Montes-Negret, 2006, 2008; FSAP, 2003, 2010; FSVc, 2007; Khomenko, 2006).

The original contribution of this research is that the evaluation of the effectiveness of the Russian DIS is based on outcomes, rather than outputs. The bespoke theoretical framework devised for this investigation attempts to systematically assess the success of the DIS in achieving its stated objectives and provides an account of different stakeholders' perceptions of the DIS.

In design and execution, the present investigation makes a number of important theoretical, empirical, analytical and methodological contributions.

## **1.6 Structure of the Thesis**

This thesis follows the structure set out below. There are nine chapters in total, and the eight remaining chapters will focus on the following aspects of the present investigation.

## *Chapter 2 Literature Review*

The present work adopts a view of deposit insurance as a governmental programme, established to provide for consumer protection within the financial sector. Chapter 2 provides an overview of the literature on DI, consumer protection in the banking services market and on usual approaches to public policy implementation and evaluation. The chapter offers an introduction to DI as a governmental programme, including an overview of the history of DI and main features of DISs, worldwide. The chapter also looks at DI as an instrument of consumer protection, identifies possible challenges in implementing a governmental programme, and reviews the main approaches to public policy evaluation.

## *Chapter 3 Overview of the Russian Deposit Insurance Scheme*

Chapter 3 provides an overview of the DIS development in Russia, its current features and any evaluations carried out since 2004. It provides an historic account of the banking reforms, including the reform of DI in Russia so that the current DIS can be understood in a context. The chapter also outlines the main features of the current DIS in Russia, including its legal form, public policy objectives and mandate, its administration, funding and membership, and its coverage and payout mechanisms. A separate account is given to public awareness instruments currently used by both the DIA and by banks participating in the scheme. Finally, the chapter presents past evaluations of the Russian DIS and identifies a gap for an independent evaluation assessing the effectiveness of the scheme.

## *Chapter 4 Methodology*

Chapter 4 discusses the methodology adopted to answer the research question. Firstly, the rationale for the research and research questions is introduced, and the research design, philosophical and methodological assumptions, and research approach are discussed, including the choice of a cross-sectional, mixed method impact evaluation. The six participating banks and the locations of the data collection, are identified and the data collection and data analysis techniques are presented. The chapter concludes with a discussion of the limitations and the ethical implications of the chosen methodology.

As the present investigation involves four different data collection techniques, including a retail depositor survey, interviews with bank staff and the representatives of the



judiciary, in-branch observations, and documents, the next three chapters present the analysis of these multiple data sources.

### *Chapter 5 Quantitative Data Analysis*

Chapter 5 focuses on the analysis of quantitative data gathered during the retail depositor survey ( $n = 942$ ) in six participating banks. The quantitative data is analysed in relation to each of the three stated objective of the DIS. This analysis provides an insight into the respondents' knowledge of the DIS, the extent of information provision by the six participating banks, and the level of the respondents' confidence in the banking system, and their saving behaviour.

Several statistical tests are used to analyse the data. Firstly, the data are analysed in aggregate form. Then, to add value to the large amount of data collected, they are examined in disaggregate form with the 'bank' as an independent variable. This helps to throw further light on any differences between the responses of respondents from different banks.

### *Chapter 6 Qualitative Data Analysis*

Chapter 6 focuses on the analysis of qualitative data gathered during the 32 interviews with bank staff at six participating banks and the representatives of the judiciary. As with Chapter 5, the qualitative data are analysed in relation to each of the three stated objectives of the DIS. This analysis provides an insight into the perceptions of bank staff of the retail depositors' knowledge of the DIS. The analysis also provides evidence of levels of depositor confidence in the banking system and saving behaviour, evidence of bank staff appreciation of how the DIS operates and evidence of how information concerning the DIS is communicated by the six participating banks to their depositors. A content analysis technique is used to analyse the transcribed interviews.

### *Chapter 7 Document and Observational Data Analysis*

Chapter 7 focuses on the analysis of documents and data gathered during 17 in-branch observations at the six participating banks. As in the case of Chapters 5 and 6, the document and observational data are analysed in relation to each of the three stated objectives of the DIS. This analysis provides an insight into how information regarding

the DIS is disseminated by the six participating banks. A document analysis technique is used to examine the marketing materials and bank account contracts from each of the six participating banks. Similar documents from other banks in Russia are also analysed for comparative purposes. Data from in-branch observations are presented and analysed, separately.

### *Chapter 8 Discussion*

Chapter 8 provides an overview and discussion of the main findings from the quantitative, qualitative, and document and observational data analysis. This chapter also discusses the data analysis against the literature on the subject. It relates the findings to the research purpose and the research question, and provides a discussion of the main findings against each of the stated objectives of the Russian DIS reform. Finally, it places the main findings of this research into a broader context of previous studies of the Russian DIS, presented in Chapter 3, and the academic literature, reviewed in Chapter 2.

### *Chapter 9 Conclusion*

Chapter 9 provides an overall summary of the thesis and highlights the key findings and original contributions to the wider academic literature and practices of impact evaluations. It presents and discusses the limitations of this investigation and provides suggestions for further research.

Following Chapter 9, there is a list of references to the literature used to inform this thesis and a set of appendices containing relevant background information.

## Chapter 2

### Literature Review

*“After all, there is an element in the readjustment of our financial system more important than currency, more important than gold, and that is the confidence of the people.”*

*–Franklin D. Roosevelt (1889-1945)*

This chapter provides an overview of the literature on DI, consumer protection in banking services, and selected theories of public policy implementation and the different approaches to programme evaluation.

Section 2.1 provides an introduction to DI as a governmental programme, including an overview of the history of DI and the main features of DISs, worldwide. Section 2.2 looks at DI as an instrument of consumer protection, whilst Section 2.3 identifies possible challenges with the implementing a governmental programme and reviews the main approaches to public policy evaluation.

#### **2.1 Deposit Insurance as a Governmental Programme**

This section looks at the rationale for DI and its public policy objectives, provides an historic account of the development of DI, and reviews the academic literature on key elements of DISs.

Over the past century, banks have transformed from specialised entities into complex and universal institutions. As financial systems have globalised, it has become more difficult to estimate and monitor the risks involved.

Lastra (2006: 110) argues that “since the banking industry is inherently unstable, the authorities always need to be prepared to confront the possibility of crises or problems”.

Recent decades have seen a number of financial crises in emerging markets,<sup>3</sup> which in turn, have led to the reassessment of many national financial safety nets and have prompted action to restore financial system stability, particularly through the widespread introduction of DISs.<sup>4</sup>

Banking and financial crises normally involve problems with the liquidity of financial institutions which lead to retail and business depositors losing access to their bank balances. Subsequent decrease in confidence in the banking system and individual financial institutions may generate panic amongst depositors and investors, leading to the possibility of bank runs, ultimately resulting in the closure of financial institutions.<sup>5</sup>

Closing down a financial institution requires a special insolvency procedure. Campbell (2006: 133) submits that there are several reasons for treating bank insolvencies any differently from the insolvencies of other types of business, perhaps the most important of which is the existence of retail depositors:

The failure of a large bank will have effects which reach far wider than the shareholders and customers of that bank. For example, other banks may be adversely affected and a systemic crisis may emerge. The payments systems of the country may be disrupted to some extent and this can have far-reaching economic effects. <...> Joined to these issues is the possibility that the loss of savings by a large number of voters will have political consequences <...>.

To minimise such disruption, governments set up financial safety nets, which “[seek] simultaneously to make crises less likely and to limit the harm suffered when insolvencies occur” (Demirgüç-Kunt, Kane, and Laeven, 2008a: 8).

A financial safety net is a set of regulations established to ensure the stability and proper functioning of the financial system. The components<sup>6</sup> of a financial safety net include: regulation and supervision, DIS, lender of last resort, bank insolvency and resolution

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<sup>3</sup> The series of crises started in Thailand in mid-1997, spreading to other South-East Asian countries and Korea in late 1997, to Russia in 1998, to Brazil in 1999, and to Turkey and Argentina in 2001 (Desai, 2003).

<sup>4</sup> During the last quarter of the twentieth century and the beginning of the twenty-first century, the number of countries featuring some form of explicit DI has almost tripled (Demirgüç-Kunt and Kane, 2001).

<sup>5</sup> For an overview of literature on the ‘anatomy of crisis’, see Lastra (2006: 111-113). For a discussion about the bank runs, see Temzelides (1997). For a more detailed discussion of insolvency regimes (including cross-border insolvencies), see Omar (2008).

<sup>6</sup> Hoelscher (2011) refers to them as ‘functions’ of the financial safety.

laws, and cooperation and resolution processes (Bernet and Walter, 2009: 13).<sup>7</sup> Whilst many authors use the terms ‘regulation’ and ‘supervision’ interchangeably, these two terms are different. Lastra (2006: 84-90) argues that regulation means rule-making, whilst supervision means oversight of the behaviour of financial institutions, including monitoring and control of risk-taking.

Kyei (1995: 1) states that most countries adopt a financial safety net, consisting of four elements, namely “lender of last resort facilities by the central bank, deposit guarantees of various forms, regulation, and supervision”. Hoelscher (2011) argues that there are three functions of a financial safety net, namely supervision, DI, and problem bank resolution, and that they are in a period of transition. He further suggests that the three functions of the financial safety net will become more integrated in the future as the mandate of the DISs will expand, thus, making it fully embedded in the safety net.

DIS is a public policy which, when implemented, compensates depositors should their bank be unable to return their deposits (Cranston, 2002; Ellinger et al., 2005).<sup>8</sup>

Demirgüç-Kunt et al. (2008a) argue that the likely costs of DIS are not fully visible at the outset and a DIS can provide for immediate protection of depositors. Ellinger et al. (2005) claim that DISs can be justified on the basis that they enhance public confidence in the banking system and, thus, help to discourage runs on troubled banks.

On the other hand, it is believed that DISs give rise to a moral hazard, whereby, there is no longer an incentive for depositors to monitor risk-taking by the banks they patronise. Also, there is a body of literature which suggests that the ‘moral hazard’ argument can be accommodated by limiting the amount of the compensation payable to depositors (Cartwright and Campbell, 1999; Cartwright and Campbell, 2003; Cranston, 2002; Demirgüç-Kunt and Huizinga, 2004; Ellinger et al., 2005).<sup>9</sup>

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<sup>7</sup> For more information on the relationship between DI and the lender of last resort, see Sleet and Smith (2000). For a more detailed overview of financial safety net and the role of DI in it, see Carisano (1992), Demirgüç-Kunt and Kane (2001), Kane (2001), Ketcha (1999), Kroszner and Melick (2008), and Schich (2008).

<sup>8</sup> Another approach to depositor protection is provision of depositor preference in bank’s insolvency proceedings (Cranston, 2002; FDIC, 1998).

<sup>9</sup> For more information on co-insurance, see Section 2.1.2.2 below.

The principal public policy objectives of a DIS are financial stability and depositor protection (Clarotti, 1997; Diamond and Dybvig, 1983; Hoelscher, 2011; Kyei, 1995; Lee and Kwok, 2000; MacDonald, 1996).

Other objectives which can be found in the academic literature include the enhancement of public confidence in the banking system, the encouragement of savings, and the generation of competition by improving the opportunity for small banks to compete in the market (Demirgüç-Kunt and Kane, 2001; Demirgüç-Kunt et al., 2008a; Garcia, 1996, 1999, 2000; Keeton, 1990).

Some authors argue that DI distorts competition as it creates a situation whereby bigger banks pay for smaller banks in the case of failure (Ellinger et al., 2005). But, there is an alternative view that DI provides for better competition in the retail deposits market as it allows smaller (and newer) banks to compete alongside bigger (and better known) banks, including state-owned banks.

Whilst the financial crises of the 1990s led to the reassessment of financial safety net arrangements and to the introduction of DISs in many countries, the 2007-2009 global financial crisis called for changes in DISs to restore public confidence in the financial markets. As Bernet and Walter (2009: 14) state

[t]he explicit guarantees of numerous states that became necessary to protect eligible bank deposits [during the global financial crisis] show clearly that the present deposit insurance schemes were not able to meet the demands put upon them adequately.

Such changes in the DISs shifted the focus of DI from financial stability to depositor protection and public awareness.

### **2.1.1 History of Deposit Insurance**

In order to understand current practices in DI arrangements, it is important to review the history of this public policy. This section provides a short overview of the historic development of DI, starting from the first DISs established in different US states in the nineteenth century followed by a federal DI enacted in 1933, to similar developments in the European Union in the 1990s, to the introduction of DISs as a means of facilitating the move towards market economy conditions in the former Soviet bloc countries in the

last decade. As this thesis is focused on the Russian DIS, this section does not cover the development of such arrangements in other parts of the world.

#### 2.1.1.1 USA

Whilst the USA was not the first country to introduce a nationwide DIS,<sup>10</sup> it has the oldest functioning DIS in the world.

The first DISs were introduced in several US states in the nineteenth century (FDIC, 1998; Todd, 1994), but a US federal deposit insurance was not established until 1933.<sup>11</sup> It was created following the closure of thousands of banks “not so much to compensate individual depositors after a failure, but to prevent instability through the mass withdrawal of funds from the banking system in the first place” (Cranston, 2002: 78). It was believed that if depositors were protected, there would be no reason for them to panic, thus systemic risk could be avoided. Whilst deposit insurance originally had little appeal among the states, the collapse of banks focused the attention of the general public on banking reform and allowed Henry B. Steagall, a United States Representative from Alabama and the Chairman of the Committee on Banking and Currency, at the time, to promote deposit insurance, with a view to restoring the confidence of the people in the financial system (Calomiris and White, 1994).

Whilst White (1998) believes that without the Great Depression, the USA would not have adopted a federal DI,<sup>12</sup> the US DIS was just a part of tighter banking regulation provisions. As Thomson explains:

[t]he Great Depression opened an era of increased federal government intervention into private markets. It brought striking changes to the financial sector, where legislation like the Glass-Steagall Act of 1933 [the Banking Act of 1933] sought to compartmentalize financial firms and markets into distinct sets of activities (commercial banking, housing finance, investment banking, and insurance). This fragmentation was mirrored in government agencies, where a separate regulatory infrastructure was established for each

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<sup>10</sup> Czechoslovakia was the first country to introduce a nationwide deposit insurance system in 1924 (Garcia, 1999; Hall and Kaufman, 2003; McCarthy, 1980).

<sup>11</sup> FDIC (1998) states that there were a total of 150 proposals for deposit protection arrangements made in Congress between 1886 and 1993.

<sup>12</sup> White (1995; 1997) also argues that DI was a creation of the US banking system and that, unless there are additional regulations and close supervision in place, it is unsuitable for developing and transition economies.

segment of the financial system. The change also meant setting up two different insurance funds for depository institutions: one for those engaged primarily in housing finance (savings and loans) and another for commercial banks (Thomson, 2000: 1).<sup>13</sup>

The DIS became effective on 01 January 1934 and provided depositors with USD 2,500 in coverage until 01 July 1934 when the FDIC started functioning and greater coverage of USD 5,000 was introduced.<sup>14</sup>

Under the present arrangements, the federal DIS covers all deposit accounts in insured banks and savings associations, including current and savings accounts, and certificates of deposit, up to the sum of USD 250,000 per depositor, per insured bank.<sup>15</sup> For more information on FDIC's mandate, please see Garten (1989).

### **2.1.1.2     *European Union***

Whilst there were explicit DI arrangements in several European countries in place in the 1960s (Finland, Germany, and Norway)<sup>16</sup> and 1970s (Austria, Belgium, the Netherlands, and Spain), it was not until 1994 that the EU introduced compulsory deposit protection arrangements across its Member States.

Since the 1986 Recommendation on deposit guarantee schemes<sup>17</sup> was not followed in some EU Members States, the European Commission presented a proposal for a Directive on deposit guarantee schemes on 04 June 1992 (Clarotti, 1997; Gerster, Klein, Schoppmann, Schwander, and Wengler, 2004).

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<sup>13</sup> The Federal Savings and Loan Insurance Corporation (FSLIC), created by the National Housing Act of 1934, was set up to insure deposits in thrifts. For more information, see Litan (1987: 25-26) and Thomson (2000: 1).

<sup>14</sup> For a more detailed account of the pre-1933 and post-1933 development of the US federal deposit insurance, please see US House (1990), FDIC (1998), and Kroszner and Melick (2008).

<sup>15</sup> The FDIC insures deposits in most, but not all, banks and savings associations. For more details on the FDIC coverage, visit [www.fdic.gov/deposit/deposits](http://www.fdic.gov/deposit/deposits). From 31 December 2010 until 31 December 2012, deposits held in noninterest-bearing transaction accounts are fully insured, regardless of the amount in the account.

<sup>16</sup> Norway and Finland introduced their DISs already in 1961 and in 1969 respectively, but the former is still outside of the EU, and the latter became an EU Member State only in 1995.

<sup>17</sup> Commission Recommendation 87/63/EEC of 22 December 1986 concerning the introduction of deposit-guarantee schemes in the Community. OJ L 33 of 4.2.1987, p. 16.



The EU Directive on deposit-guarantee schemes<sup>18</sup> (the “1994 Directive”) required Member States to set up legally enforceable deposit guarantee schemes by 01 July 1995, thus laying the foundations for general harmonisation of DI across the EU.

The main provisions of the 1994 Directive included, amongst others: (i) a requirement for the DI arrangements to be compulsory for all deposit-taking financial institutions in Member States with a few exceptions (Article 3), (ii) prevalence of home country arrangements (Article 4),<sup>19</sup> (iii) a coverage limit of at least EUR 20,000 (Article 7), (iv) information disclosure requirements (Article 9), and (v) time for compensation set at three months with a possibility to extend for another six months (Article 10).<sup>20</sup>

The 1994 Directive required that existing and prospective depositors must be provided with information sufficient to allow them to identify the scheme to which a particular credit institution and its branches belong. Furthermore, information relating to the amount and scope of cover had to be made available. Such information must have been provided “in a readily comprehensible manner” (Article 9(1) of the 1994 Directive) and in the official languages of the Member States. The information on the compensation procedure was to be given upon request. Furthermore, Member States were obliged to establish rules restricting the possibility of misusing information on DI in advertising.<sup>21</sup>

The 1994 Directive left certain matters to be decided on by Member States, including the legal form of the DIS, the definition of an eligible deposit, the precise extent of cover, the type of funding mechanism to be used, the definition of an insured event and the calculation of members’ contributions. Whilst Huizinga (2008: 275) argues that the 1994 Directive was “unique in imposing minimum standards of deposit insurance policies on several countries”, Cariboni et al. (2008) demonstrate that this autonomy has resulted in a divergent evolution of DISs across the EU.

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<sup>18</sup> Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit-guarantee schemes. OJ L 135 of 31.5.1994, p. 5.

<sup>19</sup> For more information on home country and topping-up arrangements, see Horn (1999) and Gerster et al. (2004).

<sup>20</sup> For a more detailed discussion of the main provisions of the 1994 Directive, see Landsmeer and van Empel (1998), Garcia and Prast (2003), Kudimova (2003), and Misita (2003).

<sup>21</sup> For a more detailed analysis of the information provision and advertising requirements under the 1994 Directive, see Misita (2003).

The exposure of these differences in the implementation of DI between Member States during the 2007-2009 global financial crisis led to a re-examination of the 1994 Directive by the European Commission. The review process commenced with a public consultation in 2005 and continued through the global financial crisis. As a result of this review process, the 1994 Directive was amended in 2009.<sup>22</sup>

The key amendments included: (i) a two-step increase in the extent of cover (minimum compensation amount) to EUR 50,000 by 30 June 2009 and then to EUR 100,000 by 31 December 2010; (ii) a requirement that depositors be informed if a deposit is not covered by the DIS; (iii) the elimination of co-insurance (where it was introduced); and (iv) the introduction of a shorter pay-out period of 20 working days from the determination of default with a possible extension of 10 working days in exceptional circumstances.<sup>23</sup> Other amendments included a requirement that DISs should cooperate with each other and that more information disclosure takes place between deposit-taking institutions which are part of the scheme and the DIS itself.<sup>24</sup>

Despite the attempts to increase the extent of cover and reduce delays in making payments, Singh and Walker (2009) argue that the 2009 Directive does not deal with some of the underlying issues, such as how DISs are to be funded, which means that Member States may still need to intervene in future crises.

### **2.1.1.3 CEE and Former USSR Countries**

Following the collapse of communist regime in central and eastern Europe (CEE), the countries of the region have uniformly embarked upon a path towards the creation of “a new political and economic system which provides for economic liberalisation in order to

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<sup>22</sup> Directive 2009/14/EC of the European Parliament and of the Council of 11 March 2009 amending Directive 94/19/EC on deposit-guarantee schemes as regards the coverage level and the pay-out delay. OJ L 68 of 13.3.2009, p. 3.

<sup>23</sup> According to the 2009 Directive, the competent authorities must determine that a credit institution is in default no later than five working days after becoming satisfied that the institution has failed to repay deposits that are due and payable.

<sup>24</sup> For a more detailed overview of the development of deposit insurance arrangements in the European Union area, please see Cariboni et al. (2008), Singh and Walker (2009).

establish a market economy” (Mörner, 1997: 5).<sup>25</sup> Del Duca (1993) pointed to the “phenomenon” of eastern European countries and the USSR moving from controlled to free economies.

Nenovsky and Dimitrova (2003, 2008) argue that the accession of countries from CEE has created huge challenges, in a variety of areas, for the EU as well as for the new Member States themselves. This is especially so in the development of the banking sector. It is, generally, accepted that an effective financial system is fundamental to the transition from a centrally planned to a market economy. Thus, the creation of a solid banking system was of paramount importance to governments in the region in the early years of transition with a primary task of splitting the mono-bank system into a two-level banking system.

Mörner (1997) argues that the position of eastern European countries differed from that of other emerging market economies like Russia, and other former USSR countries in central Asia, since all eastern European countries applied for membership of the EU and, thus, received a large-scale dissemination of knowledge. Russia did not receive such help and tried to create the banking system itself.<sup>26</sup>

There are two groups of countries in the region: the former USSR countries (Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan), and eastern European countries from the former communist bloc (Bulgaria, the Czech Republic, Hungary, Poland, Romania and the Slovak Republic). It should be noted that, since Estonia, Latvia and Lithuania joined the EU, they will be discussed as part of the new EU Member States.

The accession of the new Member States from CEE took place in two waves, the first group consisting of the Czech Republic, Estonia, Hungary, Poland, and Slovenia<sup>27</sup>

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<sup>25</sup> See also Lannoo (2000) for a detailed evaluation of the progress that the CEE countries have made toward the market-based financial sectors and in introducing appropriate regulatory frameworks.

<sup>26</sup> For the historic account of the Russian banking system and the deposit insurance arrangements, see Chapter 3.

<sup>27</sup> Slovenia will not be included in further discussion since this country was a part of former Yugoslavia during the communist regime and is considered as part of south-eastern Europe.

acceded in 2004, and the second group – Bulgaria, Latvia, Lithuania, the Slovak Republic, and Romania – in 2007.

Whilst some of the new EU Member States introduced DI arrangements shortly after the wave of financial crises in the 1990s (see Figure 2.2), a further reason for the introduction of new DISs was, of course, integration into the EU and the requirement of harmonisation under the 1994 Directive (Nenovsky and Dimitrova, 2003, 2008). All of the above-mentioned countries introduced explicit DISs, instead of the implicit schemes inherited from the previous planned economy. The first countries to introduce a DIS were Hungary and the Czech Republic (1993 and 1994, respectively) with most of the other countries following in 1995 and 1996. Bulgaria, Estonia, and Latvia introduced their DISs in 1998.

With the exception of Estonia, Latvia, and Lithuania, the former USSR counties took longer to develop a DIS. Kazakhstan<sup>28</sup> was the first to introduce a functioning DIS in 1999.

By October 2006, five of the former USSR countries had still failed to put a DIS into place. According to the summary of all DISs worldwide, published by the International Association of Deposit Insurers (Walker, 2006), there was one pending DIS (in Kyrgyzstan), one planned DIS (in Georgia), and two DISs under study (in Azerbaijan and Belarus), with no mention of any DIS (either pending, planned or under study) in Turkmenistan.

Since then, Azerbaijan, Belarus, and Kyrgyzstan have introduced explicit DISs, leaving Georgia and Turkmenistan as the only countries in post-Soviet territory without explicit DI arrangements. The timeline of introduction of DISs across the former USSR countries is presented in Figure 2.2

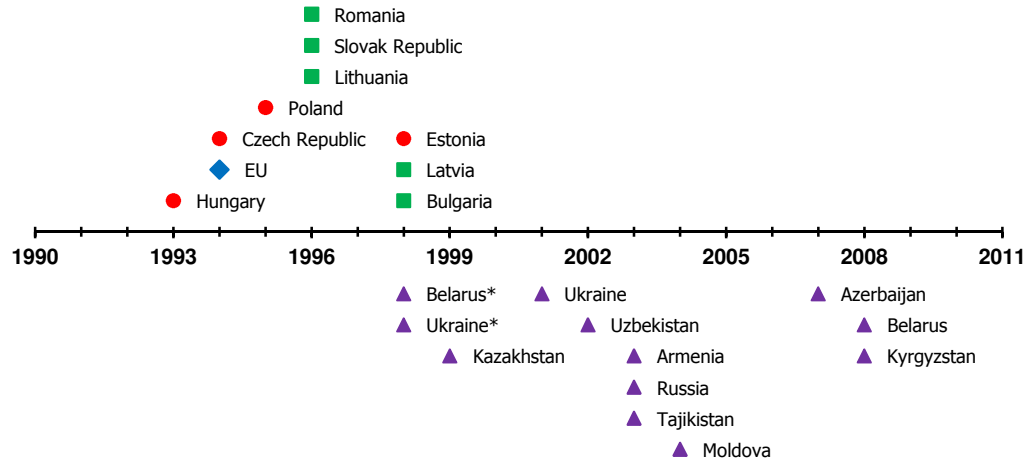
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<sup>28</sup> Belarus and Ukraine declared an introduction of the DIS with Presidential Decrees in 1998, however, the necessary legislation required to make these DIS function was enacted several years later. Ukraine passed the relevant legislation in 2001 and Belarus – in 2008 (see Figure 2.).

**Figure 2.2**

The chronology of introduction of DISs in CEE and former USSR countries



*Source:* Garcia (1999: 30-31), IMF (2006: 1-2), relevant country legislation.

### 2.1.2 Key Elements of a Deposit Insurance Scheme

Whilst it is not the aim of this thesis to discuss the benefits of different elements of a DIS, it is necessary to present an overview of the alternatives, so that the Russian DIS, presented in Chapter 3, can be placed within acceptable international standards of DI. The following sections outline the most common features of DISs found in the academic literature, and summarise particular studies which have identified international best practices to be used for the optimal design of a DIS.

MacDonald (1996: 7) argues that the design of a DIS is of principal importance for its future effectiveness, and “while deposit insurance is a fairly straightforward concept, deposit insurance schemes in practice are relatively complex”. Demirgüç-Kunt et al. (2008b: 24) state that DI is a “strong medicine” and “[w]hether it benefits or harms a country depends on how well it is designed and administered”.

### 2.1.2.2 *Academic Literature on the Most Common Elements of a Deposit Insurance Scheme*

DIS may be structured in a variety of ways. There is a vast amount of literature on the key elements of DISs.<sup>29</sup> Two main groups of literature concerning the main features of DISs can be identified.

The first group of authors approach the key elements from a theoretical angle and discuss them based on secondary data (see, for example, Bartholomew and Vanderhoff, 1991; Bernet and Walter, 2009; Carisano, 1992; Cartwright and Campbell, 2003; Feyen and Vittas, 2009; Helfer, 1999; Ketcha, 1999; Kroszner and Melick, 2008; Laeven, 2002; Lee and Kwok, 2000; Lindgren and Garcia, 1996; MacDonald, 1996; Morrison and White, 2006; Radecki, 1990; Redburn, 1988; Schich, 2008; Short and Robinson, 1998).

The second group of authors base their discussions of the main features of deposit insurance systems on large surveys or other data sets, usually as part of long-term research projects. However, whilst there is a vast body of literature on DI, including economic theories,<sup>30</sup> “empirical evidence on the actual operation and design of deposit insurance systems is relatively scarce and limited in geographic coverage” (Demirgüç-Kunt et al., 2008a: 13).

The first long-term project was conducted by the staff at the IMF. McCarthy (1980) discussed technical problems involved in designing an optimal DIS, drawing on a survey of DI arrangements in 12 countries. Mas and Talley (1990) further updated and considerably expanded the McCarthy’s survey; moreover, they discussed the implications of establishing DISs in developing countries, contrasting explicit and implicit DI arrangements, including a discussion of the major features of such schemes.

Kyei (1995) provided an overview of deposit protection arrangements in various countries and discussed the main features of explicit DISs. Lindgren and Garcia (1996)

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<sup>29</sup> These ‘key elements’ (Kyei, 1995), or ‘elements’ (Kane, 2001), are also known as ‘major features’ (Mas and Talley, 1990), ‘building blocks’ (Bernet and Walter, 2009), ‘characteristics’ (Demirgüç-Kunt and Sobaci, 2001), and ‘components’ (Lee and Kwok, 2000) of a DIS.

<sup>30</sup> For the purposes of this thesis, literature on economic theories applicable to DI was not considered as part of the literature review.

built on this research and further developed the data set by looking at DISs in times of crisis.

Based on a survey of DI arrangements in 72 countries (including explicit DISs in 68 countries), Garcia (1999) compared all of existing arrangements with the set of “best practices” adopted by staff at the IMF and subsequently updated by Garcia (2000).<sup>31</sup> Hoelscher, Taylor, and Klueh (2006) further updated the previous IMF studies and described newly established DISs.

Around the same time as the IMF project, the staff at The World Bank began to collect a cross-country data set (Demirgüç-Kunt and Kane (1998) as quoted in Demirgüç-Kunt and Sobaci (2001)). Demirgüç-Kunt and Detragiache (1999, 2002) were first in using the cross-country database to study the link between DI and financial crises. By using data from 61 countries between 1980 and 1997, they found that poorly designed explicit DISs tend to increase the likelihood of a banking crisis.

The data set was further developed to contain information on DI arrangements (both explicit and implicit) in 178 countries worldwide (Demirgüç-Kunt and Kane, 2001; Demirgüç-Kunt and Sobaci, 2001).

Demirgüç-Kunt and Sobaci (2001: 481) explain the need to create such a cross-country data set by the fact that “until recently, bank staff were unable to give sound policy advice because of the <...> lack of empirical evidence on how different DI designs affect banking outcomes”.

#### **2.1.2.2 Variations in Deposit Insurance Scheme Design**

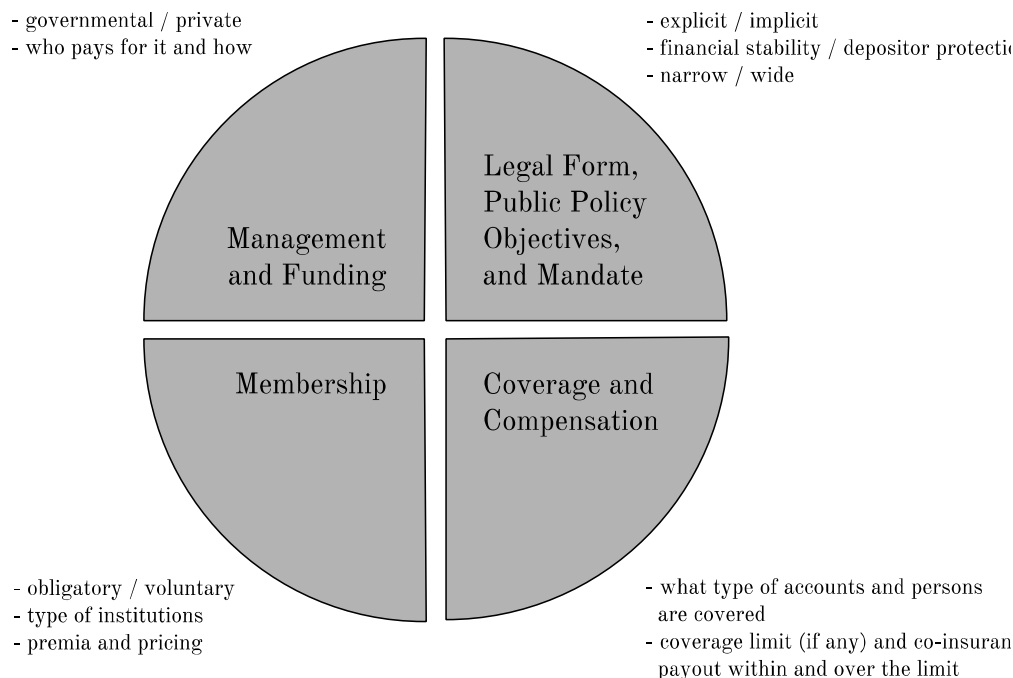
Different authors describe the main characteristics of a DIS in various ways. Based on the above-mentioned literature, it is believed that the main elements of a DIS can be grouped as follows: (i) legal form and public policy objectives, (ii) coverage and

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<sup>31</sup> For more details on the best practices, please see Section 2.1.3 below.

compensation mechanisms<sup>32</sup>, (iii) membership, and (iv) management<sup>33</sup> and funding (see Figure 2.3).

**Figure 2.3**  
Key elements of a DIS



Each of the groups will be reviewed and possible alternatives presented and discussed in the following sub-sections.

### Legal Form, Public Policy Objectives, and Mandate

There are two types of DI – implicit and explicit. Kyei (1995: iii) defines explicit DI as “formal deposit guarantee arrangements” and implicit DI as a guarantee which is “taken for granted or based on past experience that government is bound to take steps to protect the banking system”.

Implicit DI can be in the form of a political declaration from the government. During the 2007-2009 global financial crisis, several countries in Europe, Asia and the Pacific introduced temporary blanket guarantees whereby retail depositors were provided with

<sup>32</sup> Also known as a “payout mechanism” (Bernet and Walter, 2009). These two terms are used interchangeably in this thesis.

<sup>33</sup> Also known as “administration” (MacDonald, 1996; Thompson, 2004).



unlimited cover in respect of their deposits (Feyen and Vittas, 2009; Laeven and Valencia, 2008).<sup>34</sup>

Alternatively, DI can be implied when a banking system as a whole or financial institutions are state-owned, such as it was in the time of the USSR, when all deposits were guaranteed, because the banks which promised to return the money deposited in bank accounts were owned by the government.

In the case of explicit DISs, the exact arrangements are, usually, stipulated by law (whether a separate law or as part of banking laws).<sup>35</sup> BCBS and IADI (2009: 1) state that “[e]xplicit DI has become the preferred choice compared to other alternatives such as reliance on implicit protection”. Garcia (1999) also confirms a tendency to move from implicit to explicit DISs (20 implicit DISs became explicit by 1999).

As discussed in Section 2.1, the principal objectives of a DIS, usually quoted in the literature, are the stability of the financial system and depositor protection. Other public policy objectives may include the protection of smaller banks and the creation of a level playing field in the market.

BCBS and IADI (2009) advise that the chosen public policy objective should be stated in the legal acts, so that it is clear what objectives the DIS intends to achieve.

The wider regulatory and institutional environment is also important, as a weak environment may jeopardise even an optimally-designed DIS (Bernet and Walter, 2009; Cull, Senbet, and Sorge, 2005; Demirgüç-Kunt and Detragiache, 1999, 2002; Demirgüç-Kunt et al., 2008b; Garcia, 1997, 1999, 2000; Hoelscher et al., 2006).

In terms of its mandate, the role of a DI agency (or other organisation or governmental body which runs the DIS) may be either narrowly or broadly construed. Under a narrow mandate, or a so-called paybox system, the DI agency only collects funds and pays out when an insured event occurs. Garcia (1999: 22) suggests that such a “limited role is

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<sup>34</sup> Even New Zealand, which does not have a DIS in normal times, introduced a temporary two-year blanket guarantee in 2008 capped at NZD 1 million per depositor per bank (Mayes, 2011).

<sup>35</sup> Demirgüç-Kunt et al. (2008b) submit that every country has a de facto implicit DIS as governments need to intervene if a banking crisis occurs. Thus, adoption of an explicit DIS does not completely eliminate the implicit DIS, but rather formalises the governmental obligation to pay.

more likely for privately run DIS that lack governmental authority for more proactive responsibilities”. A broader mandate allows DI agency to be involved in bank liquidation, restructuring and supervision.

Hoelscher et al. (2006) argue that there is a trend to give more powers to DI agencies, especially in light of the many bank failures during the 2007-2009 global financial crisis and the need to quickly resolve failed financial institutions.

## Coverage and Compensation Mechanism

In terms of the *compensation amount*, a DIS can provide a full or blanket guarantee, whereby, all deposits are protected without a limit. Whilst this measure may prevent bank runs and thus stabilise the financial system in the short term, it is not generally recommended since the public, banks and investors may expect the same response should a crisis reoccur (Feyen and Vittas, 2009; Laeven and Valencia, 2008; Schich, 2008).

The norm is to have a limited coverage. Some countries have introduced a co-insurance element into their system, whereby, only a certain percentage of the maximum compensation amount is guaranteed fully, whilst loss of the remainder is shared with the depositor. For example, a depositor may be guaranteed 100% of the first amount and 80% of the next amount, up to a certain limit.

Kyei (1995) suggests that a co-insurance element is usually introduced where the introduction of the DIS seeks to reduce moral hazard on the part of depositors, so that they become responsible for some part of loss.<sup>36</sup> However, co-insurance is not always beneficial as illustrated by the EU Member States which were recently obliged to eradicate co-insurance element from their DISs, because co-insurance “has been demonstrated to undermine depositor confidence” (Recital 14 of the 2009 Directive).

Kyei argues that the coverage limit is related to the objective of the DIS. For example, “where the objective is to protect small depositors <...>, coverage is limited to individuals”, whilst, “if the objective is wider than the mere protection of small depositors”, then other groups of depositors will be covered, too (Kyei, 1995: 20).

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<sup>36</sup> For more details on the moral hazard and co-insurance, see Section 2.1 above.

Furthermore, Laeven (2004) submits that there is a link between the level of financial literacy of the population and the country's level of deposit insurance coverage.

The coverage limit is usually determined for each person (per depositor) or for each bank account (per deposit). The former allows for compensation of a maximum amount per single depositor in a failed bank, whilst the latter allows for compensation of a maximum amount per single deposit in a failed bank. The tendency is to cover a single depositor rather than each individual account (Garcia, 1999). There may also be different arrangements for joint accounts.

A clearly defined coverage limit makes it clear that the amount above the maximum compensation amount cannot be guaranteed. For example, Fjordbank Mors, the ninth Danish bank to collapse following the 2007-2009 global financial crisis, was unable to raise capital sufficient to meet the newly increased national solvency requirements. Despite the fact that its assets and some liabilities were transferred to FinansielStabilitet, a company created in October 2008 to ensure financial stability in Denmark, “[c]reditors, including depositors with deposits exceeding EUR 100,000 in Fjordbank Mors must <...> anticipate losses of approximately 26% as the bank closes” (FinansielStabilitet, 2011; RTÉ, 2011).

A DIS may cover different types of depositor, whether these are retail depositors only, both retail depositors and individual entrepreneurs, or retail depositors, individual entrepreneurs and business depositors. The usual development goes from covering the retail depositors only to covering all depositors, both retail and business.

Some countries exclude certain types of retail depositor from coverage. These may include senior management staff in financial institutions, auditors of financial institutions, etc. Another possible problem is the treatment of depositors who hold deposits in excess of the coverage limit and are tipped off by the bank before its license is revoked, so that these depositors can split their account and open several smaller accounts within the coverage limit (usually involves participation of family members).<sup>37</sup>

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<sup>37</sup> The same may happen when a business depositor is tipped off before the license is revoked and transfers some or all of the funds into retail bank accounts, opened usually by the family members of the management or employees of the business depositor.

There is no standard rule relating to the *types of deposit* eligible for cover as this is a matter for each country to decide upon.

Most countries will provide cover in respect of both deposits in the national currency and those in foreign currencies, although some may choose not to provide cover in respect of the latter. According to Kyei (1995), deposits in foreign currency may be excluded because of difficulty in specifying the limits due to changing exchange rates.

Three issues need to be addressed prior to determining the *compensation mechanism* to be employed. First, what constitutes an insured or triggering event must be defined. Secondly it must be determined who is to decide when an insured event has occurred and thirdly, it must be determined what time limits are to be placed upon the ability of a depositor to gain access to their funds.

There is no single definition of an insured event, as the concept is differently defined in national DI regulation. Some countries commence the payout process as soon as a banking license has been revoked by the national bank or other licensing authority, whilst others may have to wait for a court decision on the bankruptcy of the financial institution before depositors are informed when and how they can receive their funds. It is important to note that the time required to announce an insured event should also be taken into account when assessing the speed of a payout mechanism.

Once the occurrence of insured event has been announced, the DI agency (or other organisation or governmental body which runs the DIS) will usually initiate the compensation process. Payout timings vary from country to country, but many countries have reduced the time required for compensation in light of experiences during the global financial crisis. For example, EU Member States had to implement a 20-day payout mechanism by the end of 2010 (see Section 2.1.1.2 above).<sup>38</sup>

The actual compensation payment may be arranged by the DI agency (or other organisation or governmental body which runs the DIS) or by bank-agents chosen and

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<sup>38</sup> Llewellyn (2009: 21) calls co-insurance “the central fault line in the [UK] system” and states that the government could not prevent bank runs because of it. Mayes and Wood (2009: 37) agree by saying that “[t]he Northern Rock experience is thus likely to end co-insurance in other countries as well”.

nominated by the agency. Some countries also use the postal service to provide compensation on behalf of the DIS.

Whilst many countries cover deposits in both national and foreign currencies, the compensation payment is usually made in national currency, in order to protect the DIS from exposure to foreign exchange risk Garcia (1999). If the deposit was in a foreign currency, then its equivalent value will be calculated by reference to the exchange rate of the national bank. Some DISs determine the exchange rate for deposits in foreign currency on the date the insured event was announced, whilst others select the date on which the DI agency (or other organisation or governmental body which runs the DIS) commences the compensation process.

Where a deposit exceeds the maximum compensation amount, the procedure for recovery is provided for in national insolvency or other special legislation.

However, whatever the coverage and the payout mechanism, it may count for nothing if depositors are unaware of them. An effective public awareness programme is essential so that present and future depositors can be made aware of the extent of cover and the means by which they can access their funds in the event of bank failure.

## **Membership**

There is no standard rule as to what institutions should be covered by a DIS. Each country regulates this issue differently, based on the financial market environment. However, it is a norm to include deposit-taking institutions (whether commercial banks, savings banks or co-operative banks).

Another issue is whether or not to cover the branches of member institutions abroad and whether or not to cover the branches of foreign institutions in the country. These arrangements depend on the national regulation. In the EU, for example, there is a home country rule, whereby, all foreign branches belong to their home DIS and may join the host country scheme if their coverage is lower than that of the host country.

*Membership* of a DIS may be either compulsory or voluntary. Kyei (1995: 21) argues that “the level of development of the financial system does not seem to have any bearing

on whether the membership was compulsory or voluntary”. Garcia (1999) confirms a shift away from voluntary DISs to compulsory membership.

Compulsory membership is usually connected to a licensing process. For example, a financial institution becomes a member of a DIS upon receiving a banking license.

Equally, in some countries when a banking license is revoked, a financial institution ceases to be a member of a DIS, and this constitutes an insured event for the purposes of a payout process.

Voluntary DISs allow financial institutions to decide whether to join or not. An example of voluntary DIS is as an add-on to the existing nationwide compulsory DI. For example, in Germany there are four voluntary DISs providing additional guarantee arrangements. These include one for private banks, one for public banks, one for savings banks and one for co-operative banks, each operated by a relevant banking association (Beck, 2001).

By its nature, compulsory DIS helps to promote competition in the market in the interests of depositors. When all deposit-taking financial institutions are covered by a compulsory scheme, their membership is no longer a competitive advantage, thus, allowing the banks to compete for depositors by offering good customer service or improved bank account terms and conditions.

Kyei argues that the type of institution covered will depend on the objectives of the relevant DISs:

Where it is to promote the developments of some particular group of institutions such as savings banks, only those institutions are covered <...>, where the purpose is to maintain the existing structure <...>, all groups of depository institutions are covered but sometimes by separate agencies. <...> On the other hand, where the purpose is to protect the entire banking system, the legislation requires that all banks be covered. (Kyei, 1995: 19)

Kyei further suggests that the extent of government involvement in the management and funding of a DI agency (or any other managing body) may determine the institutions covered. For example, “where there is no government involvement, only the private commercial banks are involved” (Kyei, 1995: 19).

## **Management and Funding**

The management of a DIS can be public<sup>39</sup>, private or joint. A DIS can have a legally separate managing organisation, such as a DI agency of some sort, or it can be managed by a government body.

The composition of the management body of the DI agency (or other managing body) will depend on whether the DIS is public, private or joint.

Based on a survey, Kyei (1995) distinguishes four main types of management and funding arrangements:

- (i) those administered and funded by the government;
- (ii) those administered by a public corporation and funded by both government and banks;
- (iii) those jointly administered by banks and the government and funded by banks; and
- (iv) those administered and funded by banks.

Kyei (1995) suggests that the first option provides for the highest level of moral hazard since the banks participating in the DIS do not contribute to the cost of resolving failed banks at all. The fourth option, at the opposite extreme, is described by Kyei as a “mutual insurance scheme” (1995: 21), whereby, the banks participating in the DIS take on burden of other banks’ failure and are thus forced to regulate, supervise, and examine themselves. However, government involvement may be needed if the cost of resolving failed banks is high and affects the entire banking system.

When it comes to funding, a DIS can be ex ante or ex post. Ex ante schemes are based on a fund which is accumulated through the obligatory contributions of member institutions in the form of joining, annual and emergency premiums.<sup>40</sup> As a start-up contribution, governments may also provide funds. Helfer (1999) argues that if adequately funded, a

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<sup>39</sup> Also known as “official” (Kyei, 1995: 19).

<sup>40</sup> Laeven (2002) provides results of a calculation of ‘fair’ deposit insurance premiums in 42 countries based on credit ratings and option prices. Garcia(1999) argues that there is a trend towards instituting risk-adjusted premiums, whereby, each member institution contributes depending on their risk rating. Whilst the use of risk-adjusted premiums are desirable in theory as they reduce the moral hazard; it is proving difficult in practice to correctly identify and measure the risks and establish the levels of such premiums (Carisano, 1992; Lee and Kwok, 2000; McCarthy, 1980; Schich, 2008; Short and Robinson, 1998).

DI can contribute to the financial stability of a country, however, if not – it is certain to fail.

Ex post DISs are based on a promise by member institutions to cover the compensation amount when an insured event occurs. This funding mechanism is less common as it is difficult to estimate what amount may be needed, especially in the case of several banks failing at about the same time. For example, the collapse of Northern Rock in the United Kingdom showed how difficult it can be to maintain public confidence in the financial system when there is no fund immediately available for compensation (Eisenbeis and Kaufman, 2009; Kuczynski, 2011). Hoelscher (2011) advocates the importance of ex ante funding as a prerequisite for maintaining public confidence.

### 2.1.3 Internationally Accepted Standards of Deposit Insurance

All of the comparative studies discussed in Section 2.1.1 aided in the development of best practices in this area. Garcia (1999) surveyed the features of explicit DISs in 68 countries and presented a set of 20 *good practices* that has been adopted by the IMF (see Table 2.1).<sup>41</sup>

**Table 2.1**

International Monetary Fund's Good Practices for Deposit Insurance

| Issue          | Best Practice  | Departures from Best Practice   |
|----------------|--|---|
| Infrastructure | 1. <i>Have realistic objectives</i>  | Expect deposit insurance system to avoid/resolve crises.                                    |
|                | 2. <i>Choose carefully between a public or private deposit insurance system.</i>                   | A publicly funded system that is privately run.   |
|                | 3. <i>Define the deposit insurance agency's mandate accordingly.</i>                               | Pretending the system is private when it has public backing.                                |
|                | 4. <i>Have a good legal, judicial, accounting, financial, and political infrastructure.</i>        | Weak valuation, poor laws on collateral, bankruptcy, private property, a weak court system. |
| Moral Hazard   | 5. Define the system explicitly in law and regulation. <i>Conduct a public awareness campaign.</i> | The system is implicit and ambiguous.   |
|                | 6. Give the supervisor a system of prompt remedial actions.  | The supervisor takes no, or late remedial action.   |

<sup>41</sup> A 1999 version of this table contained only 15 practices and called them “best” practices, whilst the 2000 version added 5 new good practices and divided them into groups, which are presented in Table 2.1 above.



| Issue                               | Best Practice  | Departures from Best Practice  |
|-------------------------------------|--|--|
|                                     | 7. Resolve failed depository institutions promptly.  | Ill-conceived capital forbearance: banks that should be resolved continue to operate.  |
|                                     | 8. Provide low coverage.   | There is high, even full coverage, which can impose an excessive fiscal burden and fosters moral hazard.   |
|                                     | 9. <i>Net (offset) loans in default against depositors.</i>  | Cover the deposits of borrowers in default.  |
| Adverse Selection                   | 10. Make membership compulsory.  | The scheme is voluntary.   |
|                                     | 11. Risk-adjust premiums, once the deposit insurance system has sufficient experience.   | Flat rate premiums.  |
| Agency Problems                     | 12. Create an independent, but accountable deposit insurance system agency.  | Political interference, lack of accountability.  |
|                                     | 13. Have bankers on an advisory board, not the main board of a publicly run deposit insurance system with access to financial support from the government. | Bankers are in control, regulatory capture.  |
|                                     | 14. Ensure close relations with the lender of last resort and the supervisor.  | Relationships are weak even contentious.   |
| Financial Integrity and Credibility | 15. Start when banks are sound.  | Start before resolving failed banks.   |
|                                     | 16. Ensure adequate sources of funding (ex ante or ex post) to avoid insolvency.   | The deposit insurance system is underfunded or insolvent, and makes demands on the budget.   |
|                                     | 17. <i>Invest fund resources wisely.</i>   | Invest in risky assets, such as deposit in problems banks.   |
|                                     | 18. Pay or transfer deposits quickly.  | There are delays in payment.   |
|                                     | 19. Organise good information <i>on the condition of individual institutions and the distribution of deposits by size.</i>                                 | Have bad information based on poor accounting, valuation, loan classification and provisioning standards, and no data on the distribution of deposits by size. |
|                                     | 20. Make appropriate disclosure <i>to maintain confidence while enabling depositors to protect their interest.</i>   | Make little, or misleading disclosure, and a discredited press.  |

Source: Adapted from Garcia (1999: 9, 2000: 3-4).

Since 2000, there have not been many comparative studies undertaken in this area. The *International Deposit Insurance Survey* conducted by Canada Deposit Insurance Corporation in 2003 and in 2008 (“IDIS”) aimed at gathering more up-to-date information about DISs around the world with the hope of developing an on-line database

which could be used by researchers and policymakers when evaluating or reforming existing arrangements or establishing new DISs.

The 2003 IDIS contained over 163 questions covering 14 areas of DI and received responses from 48 DISs. The 2008 IDIS received 62 responses (CDIC, 2008). Whilst the results of both IDISs have not been officially published, these surveys contributed to the understanding of the development of DISs worldwide.

The International Association of Deposit Insurers (IADI), established in 2003, has been working on the collection of best practices for DI for many years drawing on the experience of its members.

The results of two IDISs conducted by the Canada Deposit Insurance Corporation in 2003 and 2008 aided IADI in development of the IADI Core Principles, which were developed for the benefit of countries considering the adoption or the reform of a DIS.

The IADI Core Principles were taken as the basis of the internationally agreed set of *Core Principles for Effective Deposit Insurance Systems* ('Core Principles') presented by the joint working group of representatives from the Basel Committee on Banking Supervision and the International Association of Deposit Insurers in June 2009.

These Core Principles are categorized into ten groups and contain 18 principles (see Table 2.2).

As stated in the Core Principles, "a high degree of compliance with the Core Principles should contribute to financial system stability and enhance depositor protection" (BCBS and IADI, 2009: 7).

This thesis is not aimed at evaluating the Russian DIS against the Core Principles, as they were introduced after the present investigation had been designed and the data had been collected. It will, however, address some of the relevant issues.

There are several principles, which, if followed, will provide for a higher level of protection of depositors. These are Principles 1, 8, 9, 12, 17 and 18.

Principle 1 requires a formally specified set of DIS objectives. According to the Core Principles, “The principal objectives for deposit insurance systems are to contribute to the stability of the financial system and protect depositors” (BCBS and IADI, 2009: 9).

Principles 8 and 9 specify that the membership of a DIS should be compulsory for all financial institutions accepting deposits and that the level of coverage should be clearly defined in law and should cover the greater majority of depositors to meet the public policy objectives of the system.

Principle 12 emphasises the importance of public awareness of the DIS. According to the Core Principles, in order for a DIS to be effective, “it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system” (BCBS and IADI, 2009: 15). It is suggested that the deposit insurer (e.g., DI agency) should be the party primarily responsible for promoting public awareness. The deposit insurer and the member financial institutions (including their staff) should work together to ensure consistency in the information provided.

Principle 17 provides for the prompt reimbursement of insured funds. According to the Core Principles, “[d]epositors should have a legal right to reimbursement up to the coverage limit and should know when and under what conditions the deposit insurer will start the payment process <...>” (BCBS and IADI, 2009: 18). Principle 18, in its explanations and supporting guidance, provides for the right of depositors to recover funds (beyond the coverage limit) from the estate of a failed bank within the bounds of insolvency law.

**Table 2.2**

Core Principles for Effective Deposit Insurance Systems

| Group              | Principles  |
|--------------------|---|
| Setting objectives | <b>1. Public policy objectives:</b> The first step in adopting a deposit insurance system or reforming an existing system is to specify appropriate public policy objectives that it is expected to achieve. These objectives should be formally specified and well integrated into the design of the deposit insurance system. The principal objectives for deposit insurance systems are to contribute to the stability of the financial system and protect depositors. |
|                    | <b>2. Mitigating moral hazard:</b> Moral hazard should be mitigated by ensuring that the deposit insurance system contains  |

| Group  | Principles  |
|--|---|
|  | appropriate design features and through other elements of the financial system safety net.  |
| Mandates and powers  | <b>3. Mandate:</b> It is critical that the mandate selected for a deposit insurer be clear and formally specified and that there be consistency between the stated public policy objectives and the powers and responsibilities given to the deposit insurer.   |
|  | <b>4. Powers:</b> A deposit insurer should have all powers necessary to fulfil its mandate and these powers should be formally specified. All deposit insurers require the power to finance reimbursements, enter into contracts, set internal operating budgets and procedures, and access timely and accurate information to ensure that they can meet their obligations to depositors promptly.  |
| Governance   | <b>5. Governance:</b> The deposit insurer should be operationally independent, transparent, accountable and insulated from undue political and industry influence.  |
| Relationships with other safety-net participants and cross-border issues | <b>6. Relationships with other safety-net participants:</b> A framework should be in place for the close coordination and information sharing, on a routine basis as well as in relation to particular banks, among the deposit insurer and other financial system safety-net participants. Such information should be accurate and timely (subject to confidentiality when required). Information-sharing and coordination arrangements should be formalised.  |
|  | <b>7. Cross-border issues:</b> Provided confidentiality is ensured, all relevant information should be exchanged between deposit insurers in different jurisdictions and possibly between deposit insurers and other foreign safety-net participants when appropriate. In circumstances where more than one deposit insurer will be responsible for coverage, it is important to determine which deposit insurer or insurers will be responsible for the reimbursement process. The deposit insurance already provided by the home country system should be recognised in the determination of levies and premiums. |
| Membership and coverage  | <b>8. Compulsory membership:</b> Membership in the deposit insurance system should be compulsory for all financial institutions accepting deposits from those deemed most in need of protection (for example, retail and small business depositors) to avoid adverse selection.   |
|  | <b>9. Coverage:</b> Policymakers should define clearly in law, prudential regulations or by-laws what an insurable deposit is. The level of coverage should be limited but credible and be capable of being quickly determined. It should cover adequately the large majority of depositors to meet the public policy objectives of the system and be internally consistent with other deposit insurance system design features.  |
|  | <b>10. Transitioning from a blanket guarantee to a limited coverage deposit insurance system:</b> When a country decides to transition from a blanket guarantee to a limited coverage deposit insurance system, or to change a given blanket guarantee, the transition should be as rapid as a country's circumstances  |

| Group                 | Principles  |
|-----------------------|---|
|                       | <p>permit. Blanket guarantees can have a number of adverse effects if retained too long, notably moral hazard. Policymakers should pay particular attention to public attitudes and expectations during the transition period.</p>  |
| Funding               | <p><b>11. Funding:</b> A deposit insurance system should have available all funding mechanisms necessary to ensure the prompt reimbursement of depositors' claims including a means of obtaining supplementary back-up funding for liquidity purposes when required. Primary responsibility for paying the cost of deposit insurance should be borne by banks since they and their clients directly benefit from having an effective deposit insurance system.</p> <p>For deposit insurance systems (whether ex-ante, ex-post or hybrid) utilising risk-adjusted differential premium systems, the criteria used in the risk-adjusted differential premium system should be transparent to all participants. As well, all necessary resources should be in place to administer the risk-adjusted differential premium system appropriately.</p> |
| Public awareness      | <p><b>12. Public awareness:</b> In order for a deposit insurance system to be effective it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system.</p>   |
| Selected legal issues | <p><b>13. Legal protection:</b> The deposit insurer and individuals working for the deposit insurer should be protected against lawsuits for their decisions and actions taken in "good faith" while discharging their mandates. However, individuals must be required to follow appropriate conflict-of-interest rules and codes of conduct to ensure they remain accountable. Legal protection should be defined in legislation and administrative procedures, and under appropriate circumstances, cover legal costs for those indemnified.</p>  |
|                       | <p><b>14. Dealing with parties at fault in a bank failure:</b> A deposit insurer, or other relevant authority, should be provided with the power to seek legal redress against those parties at fault in a bank failure.</p>  |
| Failure resolution    | <p><b>15. Early detection and timely intervention and resolution:</b> The deposit insurer should be part of a framework within the financial system safety net that provides for the early detection and timely intervention and resolution of troubled banks. The determination and recognition of when a bank is or is expected to be in serious financial difficulty should be made early and on the basis of well defined criteria by safety-net participants with the operational independence and power to act.</p>   |
|                       | <p><b>16. Effective resolution processes:</b> Effective failure-resolution processes should: facilitate the ability of the deposit insurer to meet its obligations including reimbursement of depositors promptly and accurately and on an equitable basis; minimise resolution costs and disruption of markets; maximise recoveries on assets; and, reinforce discipline through legal actions in cases of negligence or other wrongdoings. In addition, the deposit insurer or other relevant financial system safety-net participant</p>   |

| Group                                 | Principles  |
|---------------------------------------|---|
|                                       | should have the authority to establish a flexible mechanism to help preserve critical banking functions by facilitating the acquisition by an appropriate body of the assets and the assumption of the liabilities of a failed bank (for example, providing depositors with continuous access to their funds and maintaining clearing and settlement activities).   |
| Reimbursing depositors and recoveries | <b>17. Reimbursing depositors:</b> The deposit insurance system should give depositors prompt access to their insured funds. Therefore, the deposit insurer should be notified or informed sufficiently in advance of the conditions under which a reimbursement may be required and be provided with access to depositor information in advance. Depositors should have a legal right to reimbursement up to the coverage limit and should know when and under what conditions the deposit insurer will start the payment process, the time frame over which payments will take place, whether any advance or interim payments will be made as well as the applicable coverage limits. |
|                                       | <b>18. Recoveries:</b> The deposit insurer should share in the proceeds of recoveries from the estate of the failed bank. The management of the assets of the failed bank and the recovery process (by the deposit insurer or other party carrying out this role) should be guided by commercial considerations and their economic merits.  |

*Source:* Adapted from BCBS and IADI (2009).

In July 2011, the Financial Stability Board launched a review of DISs in its member jurisdictions.<sup>42</sup> This review will use the Core Principles as a benchmark with the peer review report to be published in 2012 (Financial Stability Board, 2011).

## 2.2 Deposit Insurance as Part of Consumer Protection

Having shown the importance of depositor protection as one of the main rationales for establishing a DIS, in Section 2.1 of this Chapter, this section discusses the importance of depositor protection from a consumer protection perspective.

### 2.2.1 Rationales for Consumer Protection

Cartwright (2001) suggests that in order for a consumer protection policy to be effective, it should address both economic and social perspectives.

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<sup>42</sup> As of July 2011, the membership of the Financial Stability Board comprises 26 member jurisdictions (including the European Commission and the European Central Bank), 4 international financial institutions and 6 other international bodies.

Howells, Ramsay, and Wilhelmsson (2010: 1) provide an historical account of the development of consumer law and related areas and submit that consumer law

<...> is linked to the development of the consumer society and the rise of the regulatory state. One of the intriguing aspects of consumer law is that whilst consumers are often situated in a vulnerable position in the market structure and face similar problems in most market economies, nevertheless, consumer law has in its national manifestation to take account of local legal, social and cultural traditions. However, whilst the particular policy responses to the problems consumers face may differ depending on local context, many of the actual problems facing consumers replicate themselves throughout the global economy.

While the present thesis is not aimed at describing and discussing different theories of consumption and different approaches to market theory, it is important to understand the role of the consumer and the need for consumer protection.

Scott and Black (2000: 1) look at the need for consumer protection from the point of view of consumers as

<...> sovereign economic actors, with stable preferences that have been formulated rationally and autonomously, and who have the potential to exercise power <...> by their purchasing choices, so ensuring that producers and suppliers respond to meet those preferences.

From this perspective, the role of consumer law is to assist consumers in making choices more efficiently. On the other hand, there is a belief that it is the producers and suppliers of goods and services that actually control consumer demand through the use of advertising, marketing, packaging, market research and other measures which shift consumption decisions from the consumer to the suppliers.

From a market theory perspective, there are, primarily, two approaches to consumer protection, in general. On the one hand, proponents of the Chicago school of economics<sup>43</sup> advocate the existence of perfect market in which individuals are rational decision-makers and, by making choices, determine how the market operates. Krugman (2009: 36) describes this as an “idealized vision of an economy in which rational individuals interact in perfect markets”. Such a perfect market has perfect information that allows consumers to make well-informed decisions.

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<sup>43</sup> Also known as ‘freshwater school of economics’ with their opponents referred to as ‘saltwater school of economics’.

On the other hand, some authors contend that markets are not always efficient or perfect. Thus, governmental intervention is necessary and justified to correct market failures<sup>44</sup> and to protect consumers.<sup>45</sup>

Howells et al. (2010: 10-13) single out four possible rationales for consumer law. These include: (i) *market failure* (in neo-classical economic understanding) and the need for consumer protection to ensure that markets are efficient and function properly; (ii) *information asymmetry* and the role of consumer protection, in the form of certain information requirements, in ensuring “the consumer is able to perform his role as a contract party successfully”, as well as the *inequality of bargaining power* (which is seen as a broader term than information asymmetry) and the role of consumer protection in countervailing “such inequality, in order to achieve fair and equal contract practices”; (iii) *consumer behaviour*, which, usually, differs from the rational consumer behaviour assumed in theory, and the role of consumer protection in creating “a system that corresponds to how consumers actually behave”; and (v) *other values* which may include human rights issues, environmental and gender equality concerns.

### 2.2.2 Consumer Protection in Financial Services Market

An example of an imperfect market can be found in the financial sector, which is characterised by a high level of information failure.

It is widely recognised that financial markets and instruments involve “highly complex, fast-moving, and high-stakes decision making” (Collins and Khan, 2004: 27). Market theory is based on the assumption that there is full or complete information amongst buyers and sellers about products and services being exchanged. However, this is not an accurate description of the real operation of financial markets.

According to Scott and Black (2000), consumer policy focuses on redressing consumer detriment. Detriment can be defined as “the difference in purchasing decisions that

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<sup>44</sup> Austrian school argue that there is no such phenomenon as “market failure”, and that inefficiency is caused by consumers making choices inconsistent with their goals (see Kirzner (1963)).

<sup>45</sup> For a discussion of rationales for intervention in the consumer markets, see Cartwright (2001), Krugman (2009), Ramsay (1984), and Scott and Black (2000).



consumers make on the basis of information that is available, and decisions they would have made with further information that they could usefully obtain or assimilate” (Scott and Black, 2000: 3).

Trebilcock (1997: 103-126) lists several categories of information failure in the market, including material non-disclosure (and the issue of information asymmetry), information processing disability and standard form contracts among others.<sup>46</sup>

### 2.2.2.1 *Information Asymmetry*

Any buyer-seller relationship in any market situation is affected by information asymmetry. This problem is even more prominent in the depositor-bank relationship. This is caused by the complexity of the financial services market as well as by the, generally, low level of financial literacy amongst depositors.

Mishra, Heide, and Cort (1998) argue that the relationship between buyers (i.e. depositors) and sellers (i.e. banks) often is characterised by information asymmetry, in the sense that the seller possesses more information about the object of an exchange than the buyer. Buyers or borrowers, generally, do not have full or complete information about transactions and, thus, market failures are likely to result from information asymmetries. A typical decision-making situation will arise when depositors decide to put their money in a bank account, but need to be sure of the financial soundness of the bank under consideration. To make this judgement, the depositors will require the bank to provide information relating to its financial stability and until that information is provided, the depositors cannot make a rational decision.

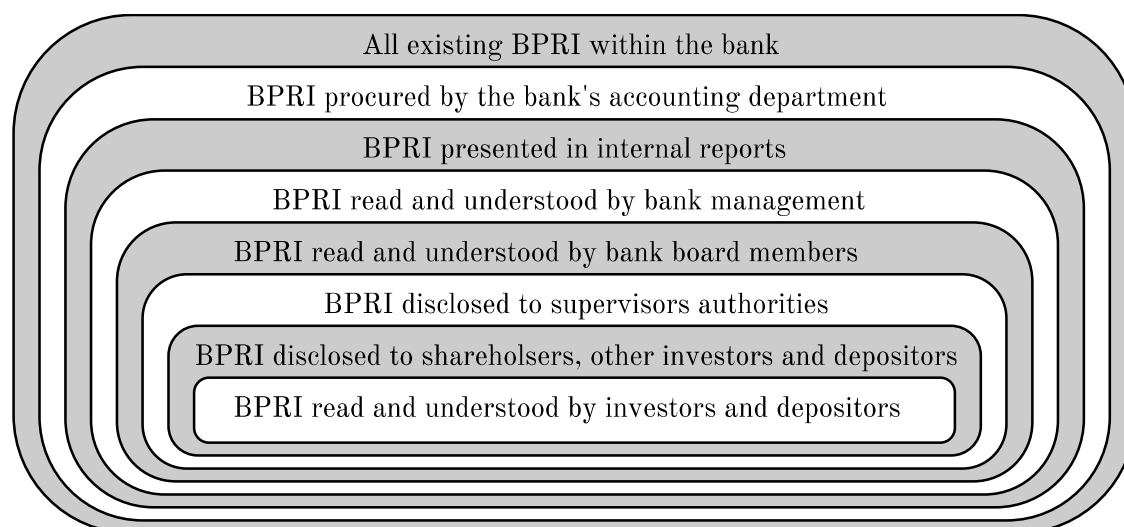
Balling (2011: 217) uses Figure 2.4 as an illustration of “how disclosure rules affect the information sets available to different bank stakeholders”.

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<sup>46</sup> For a full list of categories of information failure, see Trebilcock (1997: 103-126).

**Figure 2.4**

Asymmetries in access to bank performance relevant information (BPRI)



Source: Adapted from Balling (2011: 217).

Whilst the outer layer represents existing information about bank performance available at any given time, it is evident that, despite varied information disclosure regulations in the banking sector, the amount of information which is read and understood by depositors is only a small fraction of the available information, thus creating a consumer information gap.

Retail depositors will have a different perspective on a bank's performance compared to other stakeholders of that bank, and will have to base their decisions about entering into a contract with a specific bank on the information available to them at the time and on their understanding of such information.

#### **2.2.2.2 Deficiencies in Information Processing**

The problems that consumers face in the market are not the same for all. Burden (1998) identifies seven categories of vulnerable consumer, namely elderly people, young people, the unemployed, those with a limiting, longstanding illness, those in low income households, members of ethnic minorities and those with no formal educational qualifications. He further suggests that

[c]onsumers may be vulnerable for two reasons. First, some may have greater difficulty than others in obtaining or assimilating the information needed to make decisions about which goods and services, if any, to buy. Second, they may be exposed to a greater loss of welfare than other consumers as a result of buying inappropriate goods or services, or of failing to buy something when it would be in their interests to do so. (Burden, 1998: 5)

Scott and Black (2000) argue that further difficulties which vulnerable consumers face are exclusion from certain services (e.g. financial exclusion), disproportionate effect of dubious marketing techniques, and lesser likelihood of using their legal rights as consumers than those with higher income. “Knowledge and understanding of the legal positions and of where to seek assistance decline as one progresses down the socio-economic groups” (Scott and Black, 2000: 8).

The above-mentioned constraints, when working with vulnerable consumers, have been widely confirmed by empirical research.

Fox, Bartholomae and Lee (2005) argue that poor financial management in the family and low levels of financial literacy may lead to high levels of consumer debt, low levels of savings, and high levels of individual bankruptcy. Cunha, Lambrecht and Pawlina (2011) provide further evidence that vulnerable households rely too frequently on overdrafts.

Based on a survey of young adults with regard to their financial literacy, Lusardi, Mitchell and Curto (2010) provide evidence that there is a relationship between levels of financial literacy and social and demographic characteristics, such as degree level, gender and family wealth.

Erasmus and Mathunjwa (2011) indicate that age and gender influence consumer decision-making, with younger females appearing better informed than others.

From an overview of literature on information processing deficiencies in elderly consumers conducted by John and Cole (1986: 297), it appears that

[e]lderly adults have been pictured as more easily persuaded and deceived <...>, less aware of unfair business practices <...>, using fewer information aids <...>, processing information at a slower rate <...>, and remembering less product-related information than younger adults <...>.

John and Cole (1986: 302) identified and examined factors that affect information processing abilities of elderly consumers. They found that four factors that need to be considered when assessing the abilities of elderly adults are (i) information quantity (“[l]arge amounts of information present greater difficulties for elderly individuals”); (ii) information format (“[e]lderly adults remember information better with visual aids but do not appear to benefit from televised presentation”<sup>47</sup>); (iii) instruction sets (“[s]pecific instructions regarding the use of memory strategies are beneficial for the elderly”); and (iv) response format (“[e]lderly adults generally perform better in recognition than recall tasks”).

Despite the evident difficulties with processing information, Cunha, Lambrecht and Pawlina (2011) indicate that elderly households still tend to accumulate more liquidity than other age groups.

### 2.2.2.3 *Standard Form Contracts*

Retail depositors are consumers of financial services and, in particular, of banking services.<sup>48</sup> All of these services have two common features, namely the complexity of the information provided and the difficulty the consumer has in understanding that information.

Depositors enter a variety of contracts with banks on a daily basis. These may include a wide range of current and savings contracts, credit card contracts and others. By nature of retail banking, these contracts are standard form contracts,<sup>49</sup> whereby, depositors

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<sup>47</sup> There was no evidence of information processing deficits caused by the lack of thematically organisation of the materials and by the order in which information is presented.

<sup>48</sup> Other financial services include insurance, pensions, individual investments, consumer credit, etc., all of which have their own peculiarities in terms of consumer protection. For more information on consumer protection in insurance, see Birds (1999), Willett and Hird (1999), in pensions, see Harris and Jones (1999), in individual investments, see Chin (1999), in consumer credit, see Howells (1999), Ison (1979), Lowe and Woodroffe (2004).

<sup>49</sup> Also called ‘contracts of adhesion’ (Blum, 2007; Kessler, 1943; Korobkin, 2003). Law and Martin (2009: 524) define standard-form contract as “[a] commercial contract <...> that is concluded on terms issued by the offeror in standard form and allows for no effective negotiation.”

accept those standard terms if they wish to open a bank account and have no power to change the terms and conditions.<sup>50</sup>

Trebilcock (1997) argues that standard form contracts are an expression of a monopolistic position and are characterised by the existence of imperfect information on the side of one of the parties to the contract.

Whilst submitting that not all standard form contracts necessarily have a negative impact, Blum (2007) argues that the drafting party (the seller in most consumer contracts) may in a sufficiently dominant position to draft the terms and impose them on the consumer. Gillette (2011: 121-122) concludes that based on empirical evidence, standard form contracts consistently contain one-sided language in favour of the drafting party.

Wilhelmsson and Willett (2010: 161) claim that there is a lack of transparency when it comes to standard form contracts:

Terms may be expressed in unclear, possibly legalistic, language and in small, and otherwise difficult to read, text. There may be a considerable degree of complexity, poor structuring and poor cross-referencing. This may also be compounded by the fact that consumers have little time to read the terms before making the contract; and may have little understanding of the legal context or how the term might affect them in practice.

This, in turn, may lead to consumers being left unaware of the need to negotiate better contract terms. Moreover, consumer may also be unaware that there may be terms that operate in their favour and so fail to take advantage of those terms should the need arise. Recent empirical research on post-recession household credit facilities (Erasmus and Mathunjwa, 2011) confirms consumer ignorance with respect to contractual terms and their obligations as a consumer.

Gillette (2006) submits that though there is a vast amount of literature on the advantages and disadvantages of standard form contracts, there is consensus on some of the issues, including the following.

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<sup>50</sup> For a review of broader issues of fairness and freedom in consumer contracts, see Willett (2007).

Firstly, Gillette (2006: 241) submits that there is an agreement that standard form contracts are socially useful, as they “facilitate mass marketing of goods and services by creating one-size-fits-all contracts”.<sup>51</sup> Moreover, standard form contracts allow for higher volumes of sales by avoiding variations in contract terms and thus reducing transaction costs (see also Gillette (2011: 115), Kessler (1943: 631-632), Treitel (2003: 215-216), and Twigg-Flesner (2003: 40)).

Secondly, it appears that there is an agreement in the literature, that “buyers, or the vast majority of them, do not read the terms presented to them by sellers” (Gillette, 2006: 242). Gillette argues that, given the inability to negotiate the terms of standard form contracts, the failure to read them may be rational. Examples of situations in which such a ‘rational’ buyer may decide against reading the terms of a standard form contract may include the situations when (i) a buyer predicts that the cost of reviewing the contract exceeds its benefits, (ii) a buyer predicts that the situations when unfavourable terms will apply are unlikely to occur, and (iii) a buyer is faced with a take-it-or-leave-it situation.<sup>52</sup>

### 2.2.3 Regulating Information Provision in Financial Services Market

To counteract the information gap created by various market failures and imperfect distribution of information in the market, governments use different methods of information provision, including obligatory pre-contractual information disclosure and the regulation of advertising, amongst others.<sup>53</sup>

Twigg-Flesner and Schulze (2010) submit that there are four different types of consumer information. These include information about *goods and services*, information on the *seller*

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<sup>51</sup> For more information on ‘massification’ of the consumer market, see Howells et al. (2010: 4-6).

<sup>52</sup> For other examples of situations when a buyer may decide against reading the terms of a standard form contract, see Gillette (2006: 242).

<sup>53</sup> Twigg-Flesner and Schulze (2010) argue that there are four approaches to improving information provision: (i) direct information duties (duty to disclose and duty to provide information), (ii) indirect information duties, (iii) licensing, and (iv) use of quality labels, trustmarks, and third party information. Ogus (2004) argues that information regulation is formed of two categories: (i) mandatory disclosure and (ii) control of false and misleading information. Sefton-Green (2005: 34) elucidates that “the concept of a duty to inform is less highly developed in the common law than in the civil law systems”. For more details on the theory of information provision in consumer markets and on country-specific examples, see Howells, Janssen, and Schulze (2005).

or *supplier*, information on *terms and conditions* of the contract and, finally, information on *additional rights* beyond the substance of the contract. They further suggest that

[a]ny obligation to provide information should result in a remedy for the intended recipient if that information is not given – otherwise, any such requirement would be ineffective if it could be flouted by suppliers without incurring any sort of penalty. (Twigg-Flesner and Schulze, 2010: 141)

Based on exploratory research, Patton (1981) provides evidence that consumers prefer large quantities of information about a product or a service as this helps them to make a better decision. Hoek, Gendall, Rapson, and Louviere (2011) use empirical evidence to show that the increased visual accessibility of information enhances consumers' knowledge and attitudes and, thus, influences the decision-making process.

However, the question about the timing of such information provision remains. Twigg-Flesner and Schulze (2010: 144) argue that

[i]t may be tempting to think that it is best that a consumer has as much information as possible *before* concluding a contract <...>, but that may not necessarily be the most appropriate moment. <...> Often, regulation aimed at providing information requires that this is done at a time when the consumer does not (yet) need the information.<sup>54</sup>

Another way of informing consumers is by advertising. Ramsay (1996, 2007) discusses the rationales of advertising regulation, including the provision an adequate level of information in the market, and suggests that regulating the practice of advertising so that it provides consumers with adequate information “is regarded as a method of market intervention to ensure an adequate flow of information to consumers” (Ramsay, 1996: 4).<sup>55</sup>

By using economic analysis, Ramsay (2007: 398) looks at advertising as information and states that such an approach focuses “not on deception *per se* but on the extent to which it had led to consumers' making costly mistakes in a particular market. <...> [Such r]egulation might be concerned not merely with prohibiting deception, but also with making it informative, for example, through required disclosures <...>.”

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<sup>54</sup> Emphasis added.

<sup>55</sup> Other purposes of advertising regulation, according to Ramsay (1996, 2007), include achieving truth in advertising, and social and cultural role of advertising in changing consumer preferences.

Similarly, Yeshin (2006) states that advertising has three functions, namely, (i) to inform, (ii) to persuade, and (iii) to sell. With regard to the informational functions of advertising, he suggests that

<...> advertising simply seeks to provide the public with specific pieces of information. In many cases, this has a neutral content, such as public announcements or some forms of governmental advertising. (Yeshin, 2006: 8)

Nehf (2010: 108) argues that advertising is “not always completely truthful” and, due to time and financial constraints, suppliers of goods and services “will always convey selective information”. As a result,

<...> one of the difficult aspects of regulating advertising is determining what standard should be used to separate the allowable practices from the forbidden. In other words, how does one decide whether something is a sharp marketing tactic that embellishes the truth within permissible bounds <...> or an unlawful trade practice that harms consumers and justifies some sort of sanction? (Nehf, 2010: 108)

Despite agreement in the literature on the need to inform consumers about the terms and conditions of a contract, even if such information is provided before the time of contracting, there are several limitations which may prevent consumers from processing such information and using it in their favour.<sup>56</sup>

#### **2.2.4 Provision of Deposit Insurance Information**

When it comes to DI, governments choose different ways to convey the necessary information to depositors.

Some governments require the mandatory provision of information and provide enforcement measures in the event of default.

At the European level, the 1994 and 2009 Directives require credit institutions to make available to existing and prospective depositors information on the DIS they belong to, and the amount and scope of cover offered by that DIS. Moreover, the credit institutions are obliged to inform depositors if certain deposits are not covered by the DIS. EU

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<sup>56</sup> For a detailed discussion on these limitations, see Twigg-Flesner and Schulze (2010: 143-144).



Member States are also obliged to restrict the possibility of misusing DI information in advertising.<sup>57</sup>

The Federal Deposit Insurance Act of 1950<sup>58</sup> (as amended) governing the functioning of the Federal Deposit Insurance Corporation in the USA prescribes the usage of the insurance logo and the inclusion of a specific statement that “insured deposits are backed by the full faith and credit of the United States Government” (Section 18(a)(1)). Furthermore, Section 18(a)(3) establishes a penalty for violation of the above-mentioned provisions.

Moreover, insured depository institutions are required to display the official FDIC sign (§ 328.2(a)(1))<sup>59</sup> within 21 days of becoming a DIS member (§ 328.2(a)(3)) and to comply with requirements as to the form of official advertising statements. § 328.3 also requires insured depository institutions to declare that they are a “Member of the Federal Deposit Insurance Corporation” in all advertisements promoting either deposit products and services, or non-specific banking products and services.<sup>60</sup>

In addition to information remedies in favour of retail depositors, DI agencies may run special promotion campaigns to raise awareness of DI among the public. Such campaigns, usually, advertise the DIS, without reference to any specific bank. For example, Canada Deposit Insurance Corporation (CDIC) has a TV advertisement which clearly states that Canadian depositors are protected by up to a maximum compensation amount of CAD 100,000 and invites the viewers to find out more about the DIS by visiting the website of the CDIC, calling their hotline or by making enquiries in a bank. The most recent TV advertisements end with the following phrase “Be informed. Protect your savings”.<sup>61</sup>

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<sup>57</sup> For more details on information disclosure provisions and advertising requirements under the 1994 and 2009 Directives, see Section 2.2.2.

<sup>58</sup> P.L. 81-797, 64 STAT. 873.

<sup>59</sup> 12 C.F.R. Part 328 “Advertisement of Membership”. For the full text, see <http://www.fdic.gov/regulations/laws/rules/2000-5200.html> (last accessed on 09 October 2011).

<sup>60</sup> § 328.3(d) provides a list of ten types of advertisements which do not require the usage of official advertising statement, including advertisements by radio or television which do not exceed thirty seconds in time.

<sup>61</sup> The script of the 2010 TV advertisement by CDIC can be found in Appendix 2. For all advertisements since 2009, visit <http://www.cdic.ca/e/video.html>.

## 2.3 Public Policy Implementation and Evaluation

As discussed in Chapter 1, this thesis undertakes an evaluation of the Russian DIS with the research question rooted in the stated objectives of the DIS. The following sections provide an overview of how an evaluation can be conducted and the models employed for such purpose.

Parsons (1995) presents a thorough overview of the development of literature on public policy evaluation over the last century. He clearly identifies two time periods in which the concept of public policy evaluation has changed dramatically. Until the 1970s, policy analysis was mostly concerned with the ‘front end’ of the policy process (e.g. decision-making, etc.). However, in the 1970s it became apparent that many policies had not performed as well as intended and policy analysts began to direct their attention to what had gone wrong, why and how. In subsequent years (1980s and 1990s) the attention started to shift from inputs and processes (policy analysis) towards outputs and outcomes (policy evaluation) with the emphasis on the ‘delivery’ end of the policy process.<sup>62</sup>

According to Dye (1978: 351), policy evaluation is a process of learning about the consequences of public policy:

[p]olicy evaluation research is the objective, systematic, empirical examination of the effects ongoing policies and public programmes have on their targets in terms of the goals they are meant to achieve.

However, in order to understand how a public policy, or a governmental programme, can be evaluated, it is important to understand how it is developed and at what stages an evaluation can take place.

### 2.3.1 Public Policy Process

There are different views on the number of stages, or phases, of a public policy process, but the consensus is that the design stage is followed by the implementation stage (where first evaluations can take place); the implementation stage is followed by the evaluation stage (where the majority of evaluations take place). Many authors write about ‘policy

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<sup>62</sup> For more detailed information on the debate, see Parsons (1995: 457-461).

analysis' at the design stage, but this is only a cost-benefit analysis of the possible design features and has little to do with evaluation as it is meant in this thesis.<sup>63</sup>

The following sections of this chapter discuss the implementation and evaluation stages of the public policy process.

### **2.3.1.1    *Implementation of Public Policy***

It has been argued in literature on public policy that the first evaluation, or so-called 'formative evaluation', can take place during the implementation stage of the public policy process (Palumbo, 1987; Rossi and Freeman, 1993).

Rossi and Freeman (1993: 163) describe this type of evaluation as being directed at three questions:

- (1) the extent to which a program is reaching the appropriate target population, (2) whether or not its delivery of services is consistent with program design specifications, and (3) what resources are being or have been expended in the conduct of the program.

Nonetheless, for the better understanding of the results of an evaluation, it is essential to identify some of the conditions that may promote or hinder the successful implementation of a public policy, or a governmental programme.<sup>64</sup> Two such conditions which can be said to relate to the present investigation and require consideration are (i) probability of failure, introduced by Pressman and Wildavsky (1973), and (ii) street-level bureaucracy, introduced by Lipsky (1971, 1980).

Pressman and Wildavsky (1973) argue that the more stages of decision-making that are involved in implementing a public policy, or a governmental programme, the more likely such policy or programme may fail to meet the stated objectives.

Lipsky (1980) states that, in order to understand how and why public policies or governmental programmes may not achieve their objectives, it is necessary to be aware of

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<sup>63</sup> For a detailed discussion of the different stages, or phases, see, Colebatch (2002), Fischer, Miller, and Sidney (2007), John (1998), Hill (1997, 2009), Hupe and Hill (2006), Kraft and Furlong (2007), Palumbo (1987), Parsons (1995), Rist (1995), Rossi and Freeman (1993), and Wu, Ramesh, Howlett, and Fritzen (2010).

<sup>64</sup> For a detailed discussion on typical implementation barriers, see Wu et al. (2010: 74-77).

the experiences of low-level staff implementing these policies or programmes. He argues that

<...> the decisions of street-level bureaucrats, the routines they establish <...> effectively *become* the public policies they carry out. <...> [P]ublic policy is not best understood as made in legislatures <...>, because in important ways it is actually made in the crowded offices and daily encounters of street-level workers. (Lipsky, 1980: xii)

As a result, the low level staff have a direct impact on the likelihood of the successful implementation of a public policy, or a governmental programme.

Wu et al. (2010: 3) agree by stating that “policies implemented by street-level bureaucrats deviate considerably from what was envisaged at the policy formulation stage”, and that this may lead to “a confusing patchwork of rules and regulations, undermining the efficiency and effectiveness of many policies”.

### **2.3.1.2    *Evaluation of Public Policy***

The evaluations which take place at the evaluation stage of the public policy process are of a summative nature and assess policies or programmes which are “in a mature or settled stage and have had sufficient time to have an effect” (Owen, 2007: 251).

Wu et al. (2010: 9) define policy evaluation as a “critical policy activity in that it involves the assessment of the extent to which a public policy is achieving its stated objectives and, if not, what can be done to improve it”.

The existing literature on forms and approaches to evaluation is fragmented and does not provide a uniform classification. Different authors provide their own typologies based on different criteria.<sup>65</sup> The following two sub-sections look at the types of evaluation based on the scope of an evaluation, and based on timing and methods.

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<sup>65</sup> See, for example, House (1978), Hutton and McNeill (1981), Nachmias (1979), Owen (2007), Owen and Rogers (1999), Palfrey, Phillips, Thomas, and Edwards (1992), Stufflebeam and Webster (1980), Vedung (2006), and Wu et al. (2010).

## Typology of Evaluation Approaches: Scope

Summative evaluations tend to look at the process, the output or the impact (or the outcome) of a policy or a programme.<sup>66</sup>

In *process evaluations*, the process is evaluated to generate knowledge about the efficiency of the process in devising public policy (Pierre, 2006). According to Wu et al. (2010: 85), the main aim of *output evaluations* (or performance evaluations) is to “determine what the policy is producing, often regardless of the stated objectives”.

The traditional performance evaluation model – *inputs, process, output model* – measures the intervention from input (amount of resources) to output (expected measurable result), on the basis of the aggregated output. However, such a model fails to produce an assessment of the impact of a policy or a programme.<sup>67</sup>

*Impact evaluations* (or effectiveness evaluations) look beyond efficiency and compare the outcomes of a policy or a programme to its intended goals and determine whether a policy or a programme is meeting them and how it impacts on end-users (Markless and Streatfield, 2006; Parsons, 1995; Wu et al., 2010). Wu et al. (2010: 85) argue that impact evaluations are the most difficult to carry out and that “[t]he information needs are immense and the level of sophistication required to carry out the process is higher than is generally available in government”.

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<sup>66</sup> Nachmias (1979) and Pierre (2006) distinguish only two types of evaluation, namely process evaluation and outcome evaluation. Wu et al. (2010) differentiate political and administrative evaluations, from which the latter has five types, namely efforts evaluation (input), performance evaluation (output), process evaluation, efficiency evaluation, and effectiveness evaluation (impact).

<sup>67</sup> The following example shows why such a model cannot measure the outcome, or the impact of a programme. If, for example, the government tries to improve the knowledge of consumers about DI, they might do it by creating educational material explaining how the DIS works and noting how many brochures or flyers they have produced and at what cost (inputs measures). They would then dispatch the brochures or flyers to all banks within the DIS and ensure these materials are placed in the bank branches where they are likely to be accessible to consumers (the speed and precision with which this is done can be the process measures). Most of these brochures and flyers will then be taken by depositors and there may be different ways of measuring how frequently the stands get empty (output measures). But, how can the government find out whether or not consumers know more about the DIS as a result of this intervention? No amount of monitoring how frequently stands have to be re-filled can tell whether brochures were actually read or whether readers were in any way influenced by what they had read or whether they have learnt anything. For a detailed discussion of differences between outputs and impacts (or outcomes), see Nachmias (1979: 2-3).

When measuring the impact of a policy, the outcomes can be those intended or can be different from what was envisaged (unintended outcomes). A distinction is sometimes also made between direct outcomes and longer-term outcomes. Markless and Streatfield (2006) argue that outcomes of both kinds are not always clearly identifiable and they are often confused with outputs, even in the specialist literature.

Rossi and Freeman (1993: 215) submit that whilst “[i]mpact assessments are undertaken to estimate whether or not interventions produce their intended effects[, s]uch estimates cannot be made with certainty but only with varying degrees of plausibility <...>”. OECD (1984: 32) further argues that “impacts are very difficult to assess in the absence of clearly stated objectives and of adequate evaluation means”.

### **Typology of Evaluation Approaches: Timing and Methods**

Over time, the focus of evaluations and the respective approaches changed from retrospective evaluations using survey methods in the 1970s, to prospective evaluations using laboratory experiments in the 1980s, to theory-driven evaluations using a multitude of methods in the 1990s.

Houston and Rothschild (1980) advocated experimental research and the prospective impact evaluation as an input to public policy decision-making. They argued that “[t]hese two features of public policy making [would] grow together in the 1980s just as the use of survey research and retrospective impact evaluation grew together in the 1970s” (Houston and Rothschild, 1980: 446). They further argued that in marketing literature there were two types of policy-related research:

(1) research that examines post hoc the effects of implemented public policy using secondary data <...> or survey methods <...> and (2) research not conducted specifically for the purpose of providing input to policy formulation but whose context and findings are relevant to persons contemplating policy <...>. (Houston and Rothschild, 1980: 432)

Werlin and Schauffler (1978) advocated prospective evaluation studies, because retrospective evaluations have data collection and control group difficulties. Moreover, they emphasised the importance of establishing standardised measures and criteria for programme success.

According to Stame (2004), realistic evaluation, introduced by Pawson and Tilley (1997), represents one of the new waves of theory-oriented approaches to evaluation.<sup>68</sup>

Pawson and Tilley (1997) assume that realistic evaluations test a theory about what might cause change even if the programme's theory is not explicit. They argue that it is the task of a realistic evaluation to identify the programme's theories through clear hypotheses about how, and for whom, a programme might work and test these hypotheses.<sup>69</sup>

They argue that what creates programme impact (or outcome) is an interaction between the programme's mechanism and the context in which it exists.

Pawson and Tilley (1997) believe that programmes aim to address an existing problem by creating a certain level of social change. Programmes enable participants to make choices. Making and sustaining different choices requires a change in the participants' reasoning (e.g. beliefs, values and attitudes) and resources (e.g. information, skills or material resources) available to them. Such a combination of 'reasoning and resources' is the programme's 'mechanism' in this model, and this is what enables a programme to work.

The contexts of a programme influence the outcomes such a programme may achieve. Such contexts may include a variety of factors, for example, social, economic and political environments, geographical, historic and organisational contexts, as well as the programme participants. Some factors may trigger a particular programme's mechanism, whilst other factors may prevent this process.

Pawson and Tilley (1997) submit that whilst a programme, which is replicated from one context to another, will not achieve the same impact as in the original context, it is possible to transplant an understanding about 'what works for whom, in what context, and how'. Therefore, it is the purpose of evaluation to learn more about 'what works for

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<sup>68</sup> Stame (2004) also mentions 'theory-driven evaluation', introduced by Chen and Rossi in 1989, and 'theory-based evaluation', introduced by Weiss in 1987.

<sup>69</sup> Tilley (2006: 105) argues that realistic evaluation "emphasises the presence of various layers of social reality that need to be understood <...> to make sense of outcome patterns produced".

whom’ and determine ‘in which contexts particular programs do and don’t work’, and ‘what mechanisms are triggered by what programs in what contexts’.

### 2.3.2 Evaluation of Consumer Programmes

A number of evaluation studies have been carried out in the field of consumer information and consumer education reforms, policies and programmes. Considering that the DIS is not only an institutional reform, but also a consumer information reform, ideas from the studies discussed below will influence the direction of the evaluation of the Russian DIS.

Houston and Rothschild (1980) state that discussions related to the design of consumer information studies are scattered and, being case-specific, do not identify a complete set of relevant issues. However, there are several authors who offer an insight into what evidence should be collected to suggest whether a consumer information reform has achieved its stated objectives.

Drawing from 31 impact evaluation studies of consumer health education programmes, Werlin and Schauffler (1978) conclude that the major variables measured across all studies were participant knowledge (11 studies), participant attitudes (9 studies), health-related behaviour (24 studies), and health status of the participants (13 studies). They further advocate the establishment of standardised measures and criteria for programme success.

Bettman (1975), drawing on research into information processing by consumers, submits that any public policy or governmental programme within the consumer information domain creates an information environment. Depending on the intent of a policy or a programme, such environment may have two functions, namely a *processing* function and a *policy* function.

An information environment has a processing function when “it is intended only that consumers should be aided in perceiving and processing the appropriate information, but there is no commitment to how or even if consumers use such information” (Bettman, 1975: 175). An information environment has a policy function when the intent is that consumers use the information in a particular way. The measurable effects of both



functions are awareness, recall and knowledge – for processing function, and attitude and behaviour – for policy function.<sup>70</sup>

This understanding of the impact of consumer information programmes, being social programmes, is shared by Weiss (1972). She further suggests that

[b]ecause it is studying a program that intervenes in people's lives with intention of causing change, evaluation can often make direct inferences about the causal links that lead from program to effect. Evaluators use the whole gamut of research methods to collect information – interviews, questionnaires, tests of knowledge and skill, attitude inventories, observation, content analysis of documents, records, examination of physical evidence. <...> The kind of data-collection scheme to be used depends on the type of information needed to answer the specific questions that the evaluation poses. (Weiss, 1972: 8-9)<sup>71</sup>

## 2.4 Summary

As discussed in this chapter, there are different rationales for DI, however, the two principal public policy objectives usually cited in literature are those of financial stability and depositor protection. A DIS may be structured in different ways, but the design of a DIS will always reflect the country-specific parameters of the legal, regulatory and institutional environment, thus making each of the existing DISs, worldwide, unique.

The review of literature on consumer protection in financial markets shows that the most common examples of information failure found in the depositor-bank relationship are information asymmetry, deficiencies in information processing by consumers, and issues related to standard form contracts.

The literature on public policy implementation suggests that there may be several barriers to implementing a policy or a programme, which may affect its outcome. Furthermore, examples of previous evaluations in the field of consumer information remedies recommend using the awareness, knowledge, attitude and behaviour of participants (or end-users) as the measurable effects of a public policy or a governmental programme.

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<sup>70</sup> For more information on attitude and behaviour as measures in evaluation research, see Nachmias and Ridgeway (1986).

<sup>71</sup> The choice of data collection methods is discussed in Chapter 4.

## Chapter 3

# Overview of the Russian Deposit Insurance Scheme

*“If there is a way to delay an important decision, the good bureaucracy, public or private, will find it.”*  
–C. Northcote Parkinson (1909-1993)

This chapter provides an overview of the DIS development in Russia, its current features and any evaluations carried out since 2004.

Nystén-Haarala (2001: v) submits that

Russian law cannot be understood without studying it in its economic, social, political and historical context. It is not the details that are interesting in Russian law, but the transitory development itself.

Therefore, a historic account of the banking reforms in Russia, including the reform of DI, is provided in section 3.1 so that the current DIS can be understood in context. Section 3.2 outlines the main features of the current DIS in Russia, including its legal form, public policy objectives and mandate, its administration, funding and membership, and its coverage and payout mechanisms. Public awareness instruments currently used by both the Russian Deposit Insurance Agency (DIA) and by banks participating in the scheme are examined separately. Section 3.3 presents the past evaluations of the Russian DIS, and identifies a gap for an independent evaluation assessing the effectiveness of the scheme.

### 3.1 History of the Russian Banking System

The Russian banking system has a long and diverse history. This section provides a chronological account of the main developments within the banking system since the 1860s, including information on the main reforms, on households' savings' behaviour and

on many attempts to set up a deposit protection system since the collapse of the Soviet Union.

### **3.1.1 Imperial Financial Reforms and the Socialist Banking System (1860s-1970s)**

The origin of the modern banking system in Russia goes back to the financial reform of 1859. The State Bank of Russia was founded in 1860, followed by several private credit institutions.

At the beginning of the twentieth century, the Russian banking system was comprised of the State Bank, the State Savings Bank and some other governmental banks, as well as various social and private credit institutions. These included about fifty commercial banks which were formed as joint-stock companies and, in addition, three hundred city credit societies and banks (Oda, 2002).

After the October Revolution which took place in 1917, these banking institutions were nationalised, and banking business was declared to be under state monopoly. Activities of foreign banks in Russia were prohibited by 1918.

At the beginning of the New Economic Policy (NEP) in 1921, the State Bank of the RSFSR was founded, and was later transformed into the State Bank of the USSR ('State Bank'). Some specialised state banks such as the Foreign Trade Bank and the Agricultural Bank were set up around this time. During the period of NEP, the state monopoly of banking was forgotten temporarily, and some private credit organisations in the form of mutual credit societies were allowed to be set up. However, these institutions were phased out by the end of 1930s.

The socialist system of banking could be described as a mono-bank system in contrast to a two-tier banking system of state bank and commercial banks. The State Bank, being the issuer of money, together with a selected number of specialised banks, were the sole credit institutions. All state enterprises and organisations had a current bank account with a local branch of the State Bank and were obliged to pay all their money into this account and effect payments through the bank. This system was designed for the government to closely monitor state enterprises for the ultimate goal of fulfilling the state

economic plan. On the other hand, individuals could only hold savings bank accounts, and all payments were made in cash.

Feldbrugge (1973) argued that savings bank accounts enjoyed a specially protected status as compared with other private property. The protection of savings was specifically declared in Article 10 of the 1936 Constitution (Fundamental Law) of the USSR<sup>72</sup>, as amended, and later, in Article 13 of the 1977 Constitution (Fundamental Law) of the USSR<sup>73</sup>. The safety of deposits was guaranteed by the Government of the USSR (Feldbrugge, van den Berg, and Simons, 1985).

### 3.1.2 Last Socialist Reforms and the Development of Modern Banking System (1980s-1996)

The system started to change in 1987, when the last economic reform under socialism was attempted. In the proposed new system, the State Bank was transformed into a genuine central bank, leaving other functions to the newly created specialised state banks. In addition, the Foreign Trade Bank (*‘Vneshtorgbank’*) and the Savings Bank (*‘Sberbank’*) were reorganised, and were given more independence from the State Bank.

In 1988, the special legislation was enacted, allowing association (unions) of co-operatives to set up co-operative banks. According to Oda (2002), this new legislation was a watershed for private enterprise which had previously been banned by law. In reality, the banks which “mushroomed” after 1988 were mainly “wildcat” banks formed by state enterprises and local governments (Oda, 2002: 357). Furthermore, non-governmental banks rapidly developed, with up to one hundred and fifty new commercial banks and co-operative banks being opened in 1988-1989. By the end of 1990, the number of commercial banks exceeded one thousand. In the first half of the 1990s, commercial banks in Russia continued to prosper:

[t]he early 1990’s saw a boom in commercial banking in Russia. The number of registered credit institutions grew from 1 360 at the end of 1991 to 2 019 at the end of 1993 and 2 605 in June 1996. (Schleifer and Treisman, 1998: 40)

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<sup>72</sup> Adopted on 05 December 1936.

<sup>73</sup> Adopted on 07 October 1977.

Oda (2002: 278) claims that, in the period of high inflation, these credit organisations became accustomed to a ‘fast-and-loose’ style “closer to loan-sharking, currency speculation, and arbitrage than conventional banking”.

To conclude, a two-tier system of banking, i.e. a system with a Central Bank and independent commercial banks, emerged in Russia in late 1980s.

The Russian banking system at the time could be classified as heterogeneous. Apart from Sberbank, which held the vast majority of retail depositors’ savings at the time, there were two main groups of banks. The first group consisted of mostly large Moscow and regional banks which worked with, and serviced funds of, governmental bodies of various levels, and natural resources monopolies. The second group consisted of banks which were orientated towards commercial enterprises with no access to the funds from local and regional administrations.<sup>74</sup>

There were, and still are, different forms of entry for foreign companies, including banks, in Russia: (i) through a representative office, (ii) through a branch (*filial*), (iii) through a separate subsidiary bank, (iv) through participation in an established bank with other foreign investors, or (v) through the merger or acquisition of another foreign bank which has a presence in the Russian market. Historically, the foreign banks chose first to create a representative office in Russia and then organically grow, and subsequently to transform the representative office into a fully functioning subsidiary with 100% ownership by the parent company (Vernikov, 2002: 374). Schleifer and Treisman (1998) note that in 1993, the Russian Government took protectionist measures and restricted entry of foreign banks to the Russian market. Furthermore, there was a legislative restriction on the share of foreign capital in the aggregate capital of the Russian banking system.<sup>75</sup>

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<sup>74</sup> The current banking system resembles the system of 1990s in so far as it still is heterogeneous, though the number of banks has been decreasing in the past two decades through normal exits of weak banks from the market or through mergers and acquisitions. The DIA attempted to classify all Russian banks in four groups and now uses this classification for reporting purposes. The classification will be presented and discussed in Section 3.3.2.3 below.

<sup>75</sup> These restrictions continued through the present time and the opening of branches of foreign banks is prohibited in Russia (Filina, 2011). However, according to Mekhryakov (2002), this will have to change if and when Russia joins the World Trade Organization.

In early 1994, the Russian Government tried to stabilise the economy and, as a result, the monthly inflation rate fell to 4% in August 1994. However, stabilisation was discarded when the Central Bank and ministers caved in to pressures for agricultural credits and subsidies to northern territories in the summer and autumn of the same year. The result of a less vigorous policy, which was foreseen in financial markets, was the 27% depreciation of the Russian Rouble on 11 October 1994, so-called 'Black Tuesday', and the loss of confidence in the Government. By December 1994, inflation was back to a monthly rate of 17% (Boone and Fedorov, 1997).

Many Russians lost trust in banks, and invested in hard currency or in goods. By 1994, only about 8% of individuals kept savings in a bank (Molchanov, 1996).

Whilst Khomenko (2006) states that the first mention of deposit protection was in the CBR's Instruction dated 30 April 1991,<sup>76</sup> which included reference to the establishment of a deposit insurance fund. By the mid-1990s, Russia still had not developed a functioning DIS.

Johnson (2000: 113) argues that the main reason for that was the fact that the Central Bank wanted commercial banks to design and fund the system, but the bankers felt that it was the responsibility of the Central Bank – “both wanted the security, but neither wanted to pay for it”. Moreover, the total number and the diversity of banks, combined with the uncertainty of the economy, made it difficult to estimate the funding required to operate the system and the regularity with which payouts might take place. Tosunyan (1995) backed the idea by proposing that the funds for creating such a system and financing its start-up activities could be granted by the state in the form of subsidised credit, with a lengthy term of repayment. The Central Bank, on the other hand, preferred that the commercial banks set up and control their own voluntary fund. As a result of this fundamental difference in opinions, two Presidential Decrees on the matter (from 1993 and 1994) were ignored.<sup>77</sup>

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<sup>76</sup> For more details on this CBR's Instruction, please see Khomenko (2006: 36).

<sup>77</sup> For more information on 1993 and 1994 Presidential Decrees, see Guznov (1999) and Khomenko (2006).

On 13 July 1995, a group of MPs submitted a bill “On Obligatory Insurance of Bank Deposits of Citizens”<sup>78</sup> to Parliament. Parliament passed this law in November 1995, but the President vetoed it (Medvedev, 1996; Rutland, 1996).

Another attempt to pass the law which would have provided depositor protection took place in June 1996, when a group of MPs submitted a bill “On Guaranteeing of Deposits of Citizens in Banks”.<sup>79</sup> However, this bill had a similar fate to the previous one and was withdrawn following the President’s veto.<sup>80</sup>

### 3.1.3 Deposit Guarantee Fund in Saint-Petersburg (1996-1998)

In this period of unrest among the Russian population with respect to the safety of bank deposits, and in light of a very slim possibility of the relevant legislation being passed at federal level, regional authorities were looking at the ways of protecting people’s savings.

Vishnyakova and Petrova (2005: 73) argue that “[e]ven in the 1980s. <...> when reforms had not yet been initiated, St Petersburg was a leader in developing banking in Russia”.<sup>81</sup> It is not surprising then that Saint-Petersburg became the first region in Russia to set up a deposit guarantee fund (Guznov, 1999).

Krotov (2009) states that the impetus to the establishment of the deposit guarantee fund in Saint-Petersburg was a seminar organised by the FDIC, where banks learnt about the history and structure of DIs in the USA.<sup>82</sup> As a result, and knowing that US states had regional DISs before the federal system was enacted, the Chief Territorial District Division of the CBR in Saint-Petersburg, several banks, Association of Banks of North-

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<sup>78</sup> “Ob obyazatelnom strakhovanii bankovskikh vkladov grazhdan”.

<sup>79</sup> “O garantirovanii vkladov grazhdan v bankakh”.

<sup>80</sup> It should be noted that this bill was dormant for several years and was withdrawn only in 2003 at the time when a new bill, which would then create the current DIS, was submitted for consideration.

<sup>81</sup> For an overview of the economic development of Saint-Petersburg in 1990s, see Kihlgren (2003).

<sup>82</sup> For a different opinion see Ivanov (1996), who argues that the decision to set up the deposit guarantee fund was political and took place right before the mayoral elections.

West, and the Saint-Petersburg City Administration initiated the first deposit guarantee fund in Russia on a regional level in 1996.<sup>83</sup>

The fund started its operations in 1997, just before the 1998 financial default. The membership consisted of seven banks: Baltoneksim Bank, Bank Saint-Petersburg, Commercial Export-Import Bank, Energomashbank, MDM-Bank Saint-Petersburg, Petrovsky Narodny Bank, Promstroybank, and Tekhnokhimbank. During the 1998 financial crisis the structure of the fund changed substantially. The fund was now focusing on the protection of the most socially vulnerable group of depositors – retired people who were aged 60 years and above and had savings accounts in the participating banks. At the outset, the compensation amount was RUB 500.

It is believed that this fund played an important role in restoring public confidence in the banking system in the region, as none of the participating banks lost their banking licences during 1998, whilst many local branches of Moscow banks suffered during the crisis.<sup>84</sup>

### 3.1.4 Financial Default and Proposals for Federal Deposit Insurance (1998-2003)

In 1998, Russia fell into a serious financial crisis:

The long, protracted ruble crisis took a sudden turn on August 17: the government threw in the towel, stopped propping up the ruble with the central bank's depleted foreign exchange reserves, and let the exchange rate sink until it was de facto devalued by 35 percent. (The World Bank, 1998: 7)

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<sup>83</sup> Established by the Order of the Mayor of Saint-Petersburg № 465-p from 12 May 1996 "On Establishment of the Saint-Petersburg Fund Guaranteeing Protection of Deposits and Savings Accounts of the Population in Commercial Banks" ("O sozdanii sankt-peterburgskogo fonda obespecheniya sokhrannosti depozitov i vkladov naseleniya v kommercheskikh bankakh").

<sup>84</sup> In 2002, Inkasbank was accepted into the deposit guarantee fund in Saint-Petersburg and the compensation amount was increased to RUB 3,000 (Shaklanova, 2002). The territory of the fund's activities was expanded to include the whole North-West region of Russia (now – North-Western Federal District; other six federal districts include: Central Federal District, Southern Federal District, Far Eastern Federal District, Siberian Federal District, Urals Federal District, and Volga Federal District). Upon the establishment of the Russian DIS in late 2003, the fund was transformed into Saint-Petersburg fund for assistance of deposit insurance system's development, and it has since represented the interests of the DIA in the region.



Apart from devaluing the national currency, the Russian Government had to default on foreign debt and freeze bank accounts (Intriligator, 1999), which resulted in a bank run among the population.

The Central Bank injected liquidity into the 12 biggest banks, leaving many small banks to close down because of the considerably widened gap between their rouble assets and US Dollar liabilities (The World Bank, 1998).

Buckley (1999: 7) states that:

[d]ozens of banks suspended operations and quickly siphoned assets into new entities, leaving customers high and dry. Though some banks had their licences withdrawn, the lack of a state-backed deposit insurance scheme to protect the savings of bank depositors and the absence of proper laws to protect creditors in the event of insolvency make it doubly hard for the Russian banks to restore their credibility.

According to Article 39 of the Federal Law on “Banks and Banking Activity”,<sup>85</sup> there was supposed to be a federal obligatory deposit insurance fund. However, no such fund was actually set up because the special legislation, required to set such a fund up, was never passed (Guznov, 1999; Khomenko, 2006; Rozhdestvenskaya, 2003).<sup>86</sup>

Moreover, commercial banks had a right to establish a voluntary deposit insurance fund (Article 39 of the Federal Law on “Banks and Banking Activity”). However, these voluntary funds did not become widespread. As for banks with more than 50% of the statutory capital controlled by the state, deposits were insured with the subsidiary (secondary) liability of the state.

As a result, due to the lack of the necessary legal mechanisms, the banks’ obligations towards depositor protection could not have been fulfilled. Hence, all the measures stipulated by law were not enough to prevent the outcome of the financial crisis of 1998, when all deposits appeared not to be protected at all (Sergeev and Tolstoi, 2000).

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<sup>85</sup> Federal Law № 395-1 “On Banks and Banking Activity” dated 02 December 1990.

<sup>86</sup> It appears that Rozhdestvenskaya (2003) copied the first part of her article from Guznov (1999: 76-80), except for one sentence.

The 1998 financial default re-ignited the attempts to establish a federal DIS in Russia, and there were a few proposals submitted to the Russian Parliament before all stakeholders could agree on the main features of the scheme.<sup>87</sup>

On 15 September 1998, only one month after the default, a group of MPs submitted a bill “On State Emergency Measures for Protection of Deposits of the Population in Banks of Russians Federation”<sup>88</sup> to the Parliament, but it was withdrawn from consideration in June 2000.

However, the discussions about the reform continued:

<...> the bank reform strategy spells out the formation of a general deposit insurance scheme (with a deposit ceiling). The scheme is initially voluntary, but will become compulsory, and deposit-taking rights will be available only to sound banks. Sberbank [which enjoys governmental deposit protection] is unwilling to switch to the scheme until it becomes compulsory. (Korhonen, 2001: 55)

As a result of long discussions and several legislative proposals, the deposit protection system was introduced in Russia by the Federal Law “On Insurance of the Deposits of Physical Persons in Banks of Russian Federation” dated 23 December 2003,<sup>89</sup> and came into force on the date of its publication, 27 December 2003.

### 3.1.5 Federal Law No 177-FZ and First Amendments (2003-2008)

The Russian DIS was originally set up as an ex ante financed paybox system administered by a state corporation. Membership was (and still is) compulsory for all deposit-taking institutions and the process of joining the DIS was combined with the process of obtaining the banking licence. Participating banks paid (and still pay) quarterly premiums to the mandatory deposit insurance fund established to cover compensation payout in case of an insured event. The maximum compensation amounted to 100% of

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<sup>87</sup> In the meantime, the Agency for restructuring of credit organisation (ARCO) was set up to become an administrator in five banks which suffered during the 1998 financial default, and to provide protection to their depositors. ARCO was liquidated in 2004. For more information, see Kmomenko (2006).

<sup>88</sup> “O gosudarstvennykhchrezvychaynykhmerakhpozashchitevkladovnaseleniya v bankakh Rossiyskoy Federatsii”.

<sup>89</sup> “O strakhovanii vkladov fizicheskikh lits v bankakh Rossiyskoy Federatsii”.

any amount up to RUB 100,000.<sup>90</sup> Depositors retained the right to claim in the amount not covered by the deposit insurance.

Table 3.1 presents a timeline of amendments to provisions on depositor protection in the Federal Law and introduction of relevant additional legislation.

**Table 3.1**

Timeline of amendments to the Federal Law and other legislation in relation to depositor protection<sup>91</sup>

|                          |   |
|--------------------------|---|
| <b>23 December 2003</b>  | Federal Law № 177-FZ is signed; came into force on 27 December 2008   |
| <b>29 July 2004</b>      | Federal Law № 96-FZ introduces deposit compensation by the CBR to retail depositors whose bank has not been included in the DIS at the time of withdrawal of the banking licence; came into force on 11 September 2004  |
| <b>20 August 2004</b>    | Federal Law № 106-FZ amended the Federal Law to stop subsidiary liability of the state in relation to bank accounts opened before 01 October. 2004 in banks with participation of the CBR on 01 January 2007; came into force on 25 August 2004                       |
| <b>27 July 2006</b>      | Federal Law № 150-FZ introduces co-insurance and a maximum compensation amount of RUB 190,000 (100% of RUB 100,000 + 90% up to the total of RUB 190,000)  |
| <b>13 March 2007</b>     | Federal Law № 34-FZ increases the maximum compensation amount to RUB 400,000 (100% of RUB 100,000 + 90% up to the total of RUB 400,000); came into force on 26 March 2007   |
| <b>13 October 2008</b>   | Federal Law № 174-FZ increases the maximum compensation amount to RUB 700,000 and abolishes the co-insurance, and came into force on 14 October 2008  |
| <b>27 October 2008</b>   | Federal Law № 175-FZ widens the mandate of the DIA to include prevention of bank bankruptcies (together with the CBR); came into force on 28 October 2008   |
| <b>22 December 2008</b>  | Federal Law № 270-FZ clarified that the bank accounts of sole traders (including lawyers and notaries) opened for execution of their professional activity are not covered by the DIS   |
| <b>27 September 2009</b> | Federal Law № 227-FZ suspended the enforcement of Article 48(3)(2) and Article 48(3.1)(1) and (3) on the consequences of nonconformity of banks-members of the DIS to the DIS participation requirements until 31 December 2010; came into force on 29 September 2009 |
| <b>23 December 2010</b>  | Federal Law № 375-FZ extends the validity of suspension introduced by Federal Law № 227-FZ from 31 December 2010 to 01 July 2011; came into force on 07 January 2011  |

<sup>90</sup> Rozhdestvenskaya (2003) states that the original proposal included the maximum compensation amount of RUB 95,000 with a co-insurance element (100% of RUB 20,000 followed by 75% of the remaining amount).

<sup>91</sup> Amendments related to other parts of the Federal Law (not to provisions on depositor protection) are not covered in this thesis.

In July 2006, the amendment to the Federal Law introduced a co-insurance element to the DIS. The compensation increased to a maximum of RUB 190,000 (100% of the amount up to RUB 100,000 followed by 90% of further RUB 100,000). Furthermore, Federal Law № 96-FZ “On the Payments by the Bank of Russia for Household Deposits with Bankrupt Banks Uncovered by the Deposit Insurance System” dated 29 July 2004,<sup>92</sup> allowed the depositors of banks which failed to join the DIS to be eligible for compensation from the CBR, should their bank fail.

From 01 January 2007, the retail depositors of Sberbank could no longer rely on the subsidiary liability of the state and were given the same status as the retail depositors of any other bank in Russia, which was seen as a logical continuation of the Federal Law (Vladimirov, 2004).

In March 2007, another increase in the maximum compensation amount took place. Retail depositors were now guaranteed compensation in the amount of up to RUB 400,000 whereby the first RUB 100,000 were guaranteed in full, with the remaining amount guaranteed by 90% up to the total amount of RUB 400,000.

### 3.1.6 Global Financial Crisis Aftermath (2008-2011)

The global financial crisis became apparent in September 2008 after failures of large financial institutions in the United States. It rapidly evolved into a global crisis, resulting in a number of European bank failures and declines in various stock indexes, and significant reductions in the market value of stocks and commodities worldwide. The crisis has led to a liquidity problem and the de-leveraging of financial institutions, especially in the United States and Europe, which further accelerated the liquidity crisis.

Following events elsewhere in the world, the Russian stock market has fallen by almost 58% from its peak on 19 May 2008 to its lowest point on 17 September 2008 making this the largest decline since the 1998 financial default (Illarionov, 2008). Members of the Government fully attributed the decline in the Russian stock market to the impact of the liquidity crisis in the United States, and contended that the crisis in Russia had little,

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<sup>92</sup> “O vyplatakh Banka Rossii po vkladam fizicheskikh lits v priznannykh bankrotami bankakh, ne uchastvuyushchikh v sisteme strakhovaniya vkladov fizicheskikh lits Rossiyskoy Federatsii”.

if anything, to do with internal problems in its economy and the governmental policies. However, many analysts, including Illarionov (2008), claimed that the crisis in the stock market in Russia was deepened dramatically by internal factors, including concerns over state interference in the economy, lack of transparency in banking and political risks associated with escalating geopolitical tensions following the war in South Ossetia in August 2008.

The first sign of problems in Russian's banking sector came on 17 September 2008 when KIT Finans investment bank put itself up for sale on 16 September 2008 after failing to pay off its debt (Khutornykh and Rozhkov, 2008).<sup>93</sup>

This was followed by the Government lending the country's three biggest (and state-owned) banks – Sberbank, VTB Bank and Gazprombank – as much as RUB 1.13 trillion (USD 44 billion) for at least three months to boost liquidity.

On 22 September 2008, a group of pro-Government MPs introduced a bill to increase the maximum deposit insurance compensation amount from RUB 400,000 to RUB 700,000, with the increase of the 100% guaranteed amount from RUB 100,000 to RUB 200,000. The MPs hoped to pass the bill in all three readings at once as all the parties concerned had reached a consensus.

On 23 September 2008, a regular meeting of the DIA's Board of Directors took place (DIA, 2008c). The meeting held detailed discussions of issues related to changing a number of key parameters of the Russian DIS aimed at expanding guarantees provided to banks' depositors in the present crisis. Based on submitted calculations, it was considered feasible to raise maximum insured deposit coverage as proposed by the MPs (see above).

It is interesting to note that the Minister of Finance held a consultation with representatives of 50 banks and 2 bank associations initiated by the bankers themselves before the bill was introduced in Parliament. Bankers proposed the introduction of a temporary blanket guarantee on all deposits, irrespective of their amount since, in the opinion of the bankers, the public did not quite understand the reasons behind the lending

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<sup>93</sup> Deposits of all clients decreased, according to KIT Finans, from RUB 71.7 billion on 01 September to RUB 57 billion on 01 October. On 01 August, the bank held RUB 83 billion in deposits.

of money to the 3 biggest, banks and this led to the nervousness of the depositors. The bankers insisted that although there is no economic necessity for a blanket guarantee, this change was necessary to let the public know that there was nothing to fear (Kudinov and Khutornykh, 2008).

Though some countries of the European Union did announce a blanket guarantee at the time (see Chapter 2 for more details), the Russian Parliament did not go that far.

According to the re-drafted amendments to the Federal Law (which were passed on 13 October 2008 and came into force on 14 October 2008) deposit insurance coverage was increased from RUB 400,000 to RUB 700,000. This change also abolished previously existing co-insurance arrangements and established 100% coverage of up to RUB 700,000.

The new parameters of the DIS became applicable to banks which failed after 01 October 2008, which means these amendments to the Federal Law had a retrospective force (Zykov, 2008). There were two banks which lost their licence in October 2008 – Yevraziya-Tsentr (on 09 October) and Yunitbank (on 15 October) and these were the first two banks whose depositors received a higher compensation amount.

On 28 October 2008, the Federal Law “On Additional Measures to Strengthen the Stability of the Banking System through 31 December 2011”<sup>94</sup> came into force. This new Federal Law substantially widened the mandate of the DIA by granting additional authority in preventing bank failures by providing financial support to the mergers or acquisitions of troubled banks. In case no investor was found, the DIA was given a right to write off the equity capital and inject new capital directly. All such actions of the DIA were to be pre-approved by the CBR.<sup>95</sup>

There have been no major changes to the DIS since 2008.<sup>96</sup> However, the DIS in Russia may see the disappearance of over 100 banks from the market in early 2012 because they will not be able to comply with new capital requirement of minimum RUB 180 million

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<sup>94</sup> “O dopolnitelnykh merakh dlya ukrepleniya stabilnosti bankovskoy sistemy v period do 31 dekabrya 2011 goda”.

<sup>95</sup> For a more detailed overview, please see Bloomberg (2008) and EFDI (2008); Zarshechikov (2009) provides an analysis of the DIA activities in late 2008 and early 2009 in this regard.

<sup>96</sup> For a more general account of banking reforms in Russia in recent years, see Balling (2009).

(Zykova, 2011). A similar fate may await further banks when additional capital increase to a minimum of RUB 300 million will be introduced in January 2015 (Zborovskaya, 2011). How will this affect the DIS, and whether mass payouts will be necessary, remains to be seen.

## **3.2 Main Features of the Current Russian DIS**

Based on the main features of a DIS discussed in Chapter 2, the Russian DIS can be described as follows.

### **3.2.1 Legal Form, Public Policy Objectives, Mandate**

The Russian DIS is explicit, and was established in December 2003 when the Federal Law was passed. There are three stated objectives of the DIS (Article 1(1) of the Federal Law), namely (i) to protect the rights and legal interests of household depositors, (ii) to strengthen public confidence in the banking system, and (iii) to encourage household savings in the banking system.<sup>97</sup>

In terms of a mandate, the Russian DIS is a paybox scheme with additional authorities over the resolution of problem banks (see Section 3.1.6 above).

### **3.2.2 Coverage and Compensation Mechanism**

The Russian DIS provides limited coverage per depositor per bank. The maximum compensation amount is a RUB 700,000 (introduced in October 2008).

The coverage is extended to retail depositors and sole traders, and, in terms of the type of bank accounts, includes all bank accounts, except four types specified in Article 2 of the Federal Law. Bank accounts in both national and foreign currencies are covered. Foreign currency bank accounts are compensated in the national currency, based on the exchange rate of the CBR on the date of an insured event.

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<sup>97</sup> Tompson (2004: 26) argues that there were four public policy objectives of the DI reform in Russia which are “to strengthen banking sector stability, to protect retail savers, to enhance competition and to foster financial deepening by mobilising the large volume of unbanked savings held by Russian households”.

With regard to the compensation period, Russia has one of the shortest payout times. According to the Federal Law, the payout shall commence within 14 calendar days of the announcement of the insured event.

According to Article 8(1) of the Federal Law, there are two possible insured events: (i) revocation (annulment) of bank's banking licence, and (ii) imposition of a moratorium by the CBR on settling the claims of bank's creditors. The depositors' right for compensation emerges as of the date of the insured event.

The DIA is responsible for the payout process, and may involve a bank-agent if the failed bank had a widespread branch network. Bank-agents are not prohibited from enlisting the depositors of a failed bank as their new depositors and thus keeping the funds.

According to the Federal Law, the DIA appoints a bank-agent for paying out the compensation in the case of an insured event. Any bank, meeting certain requirements specified in the Law, can apply to be appointed as a bank-agent.

The DIA may also offer an option to receive the compensation directly from the Agency. In Russia, compensation can be received in cash or through a bank transfer.

Russia experienced a problem with business depositors who were tipped off before the banking licence of the bank they patronise was revoked only to transfer some or all of the funds into retail bank accounts, opened usually by the family members of the management or employees of the business depositor. DIA (2011a: 9) described the situation as follows:

In 2010 the work on preventing payouts to depositors whose claims resulted from insurance fraud was continued. Typically, such illegal claims are connected with account balances artificially formed in a de facto insolvent bank shortly before its license revocation. They are documented by technical records of intra-bank transactions in the form of transfer of funds from accounts of legal entities, individual entrepreneurs as well as natural persons whose account (deposit) balance exceeds the established deposit insurance limit. Also to create artificial records on accounts of household depositors some bank customers and its employees arrange simultaneous cash withdrawals and cash depositing on insured accounts via the bank cashier office.

Even though, under the Federal Law, all retail deposits have to be included in the payout in the case of an insured event, the DIA chose not to compensate such 'suspicious' retail depositors, and filed relevant claims in court. The DIA classified such cases as insurance



fraud because, in the opinion of DIA, such movements of funds were intended “to evade priority of creditor claims established by legislation for liquidation proceedings and receive baseless payment at the expense of the mandatory deposit insurance fund” (DIA, 2011a: 9).<sup>98</sup> There were reports of situations when innocent retail depositors suffered an unnecessary delay in receiving their compensation because of this (Gurkina, 2009). Amendments to the Federal Law aimed to prevent such situations are currently under discussion (Dementyeva, Nantay, and Dementyeva, 2010; Kukol, 2011).

For the compensation of the amount above the maximum compensation amount, retail depositors have preference over other creditors in the process of bank’s liquidation.

In terms of public awareness, there are several instruments which are used to raise the level of the retail depositors’ knowledge about the DIS in Russia. These are described in detail in Section 3.2.5 below.

### **3.2.3 Membership**

The DIS is compulsory for all deposit-taking financial institutions. The process of joining the DIS is connected to the licensing process, whereby the membership in the DIS is granted upon receipt of the retail banking licence, and conversely, the membership ceases to exist once such a licence has been revoked.

Foreign branches of banks with headquarters in Russia are not included in the DIS (Article 5(2)(4) of the Federal Law). As for branches of foreign banks in Russia, Russian legislation does not allow foreign companies to open direct branches, and all foreign companies operating in Russia have to create a new legal entity in accordance with Russian law (see Section 3.1.2 above).

### **3.2.4 Management and Funding**

The DIS is administered by a state corporation, and is funded ex ante with additional ex post financial support from the state, if necessary.

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<sup>98</sup> Lazareva (2006: 58) reviews the provisions on insurance fraud and the right of an insurer not to pay insurance compensation in such cases. She confirms that these provisions do not apply to the deposit insurance and that the DIA does not have an authority to withheld compensation.

The DIA is separate from the government legal entity in the form of a state corporation. The Government provided the initial finance when the deposit insurance fund was set up and then, in 2008, allocated additional funds for resolution purposes as a response to the global financial crisis.<sup>99</sup>

Banks contribute quarterly premiums, which are based on the remainder of the retail deposits at the end of the previous quarter. The premiums are not risk-adjusted.

### 3.2.5 Public Awareness Instruments

The Federal Law stipulates that, whilst the depositors have the right to receive information from a bank they patronise as well as from the DIA about their bank's membership in the DIS (Article 7(1)(3)), the banks have an obligation to inform depositors about their membership in the DIS and about the procedures they follow and the amount of deposit insurance coverage (Article 6(3)(2)). Furthermore, banks are obliged to display information about the DIS in branches, and in places where depositors will have free access to such information (Article 6(3)(3)). In turn, the DIA's activities and authority includes the Agency's right to request banks to display information on the DIS and bank's membership in it in premises where bank provides services to depositors (Article 15(2)(6)).

To aid banks in this task of informing depositors, the DIA issued a set of Recommendations on how to inform depositors about the DIS<sup>100</sup> on 30 June 2005. Considering the DIA is a state corporation which manages the DIS, its recommendations have no enforceable power and thus can merely make recommendations.

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<sup>99</sup> For more information on the current details of the deposit insurance fund, please see DIA (2011a: 12-13).

<sup>100</sup> "Rekomendatsii o poryadke informirovaniya bankami vkladchikov po voprosam strakhovaniya vkladov" can be found at [http://asv.org.ru/for\\_banks/docs/recomen/](http://asv.org.ru/for_banks/docs/recomen/).

### **3.2.5.1 Website**

The DIA set up a website which features different information about the DIS.<sup>101</sup> The website contains information about the scheme, including the process of liquidation and financial rehabilitation of insolvent banks and so on.

### **3.2.5.2 Hotline**

The DIA has also set up a free hotline, whereby anyone can call and find out more about the DIS in general, or about any of the insured events in particular. For those depositors who have not received their compensation in full beyond the maximum compensation amount, it is possible to find out more about the process of liquidation through this hotline.

### **3.2.5.3 Brochure**

The DIA published a special brochure giving details of the DIS. The first edition of the brochure, entitled “Depositor’s Manual” (“*Spravochnik vkladchika*”), was published in August 2006, and contained basic information on the key elements of the DIS, an explanation of the co-insurance arrangements, and provided an overview of how the compensation would be calculated, depending on the amount of the deposit. It further included information about the compensation process, as well as full details of the DIA funds (see Appendix 4).

Since then, there have been two further editions of the brochure. The edition issued in August 2007 introduced a higher compensation amount, but made no other changes.

The current edition was issued in October 2008, at the time of the changes to the main elements of the DIS. It was also the first time the front page contained a statement “How to get RUB 700,000 back in 14 days” (see Appendix 5). From the outset, the brochure advocated the division of money between different banks in order to ensure that all of the depositor’s fund would be compensated in case of an insured event.

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<sup>101</sup> The website can be access at <http://www.asv.org.ru>.

It is not clear how banks receive such brochures, and whether there is a systematic way to replenish banks' stock of such brochures.

#### **3.2.5.4 *Sticker***

The stickers with DIS's logo and words "Deposits are insured. Deposit Insurance System" ("*Vklady zastrakhovany. Sistema Strakhovaniya Vkladov*") have been produced and distributed to the banks. According to paragraph 9 of the Recommendations, the DIA recommends that stickers are displayed at different points across the banks' branches, including at cashiers' windows, near the entrance doors and the ATMs.

#### **3.2.5.5 *Advertising by the DIS Member Banks***

According to the Federal Law, banks are obliged to inform retail depositors about the DIS and their membership in it. The Recommendations of the DIA further clarify that banks are allowed to use the DIS sign for the purposes of advertising (paragraph 11), which is defined as information about the bank, its financial and investment services and securities, about its ideas and initiatives, which is distributed in any form, with the help of any means and is designated to the undefined group of people and is called upon the formation or maintaining interest towards the bank and its activities.

When using the DIS sign in advertising or for other purposes, according to paragraph 8 of the Recommendations of the DIA, banks are not allowed to alter the DIS sign in any way, except for a change in size (whilst keeping the same proportions).

### **3.3 Past Evaluations of the Russian DIS**

There is a paucity of evaluative research on the DIS in Russia. The main sources of any evaluative information are: opinion polls (conducted by opinion poll companies) and annual reports and other analytical documents by the DIA. Independent<sup>102</sup> evaluations of the DIS are very scarce (see below).

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<sup>102</sup> 'Independent' here means independent from the DIA and/or the CBR.

### 3.3.1 Opinion Polls

Russian Public Opinion Research Center (VCIOM)<sup>103</sup> conducted several opinion polls on issues concerning the use of banking products and services, levels of confidence in the banking system, public saving behaviour, and public awareness of the DIS (VCIOM, 2004, 2006, 2007, 2008a, 2008b, 2008c, 2009, 2010a, 2010b, 2010c, 2011).

#### 3.3.1.1 *Opinion Polls on Usage of Banking Products and Services, Levels of Confidence in the Banking System and Public Saving Behaviour*

The results of the opinion poll conducted by VCIOM (2004) in October 2004 showed that, almost one year after the introduction of the DIS, only 32% of the population reported having any savings. The remaining 63% did not have savings at the time. It was claimed that the existence or nonexistence of bank savings depended, to a considerable degree, on the income of respondents, their educational qualifications and on the town or city where they lived.

Moreover, the results of this opinion poll confirmed that 68% of respondents did not have a bank account. Whilst 48% of them did not consider it to be necessary at all, the remaining 20% were considering opening a bank account (18% in Sberbank and 2% in a commercial bank). 25% of respondents had a bank account, from which 19% – in Sberbank (see Table 3.2).

**Table 3.2**

Retail depositors' attitudes to bank accounts since the adoption of the DIS, in percentage

| Do you have a bank account in any bank?  | Percentage |
|--|------------|
| No, I do not need one  | 48%        |
| No, but I would like to open a bank account at Sberbank                              | 18%        |
| No, but I would like to open a bank account in a commercial bank (not Sberbank)      | 2%         |
| Yes, I have a bank account only in Sberbank  | 19%        |
| Yes, I have bank accounts in Sberbank and in another bank (or in more than one bank) | 3%         |
| Yes, I have a bank account in a commercial bank (not Sberbank)                       | 3%         |
| Difficult to say   | 7%         |

Source: Adapted from VCIOM (2004).

<sup>103</sup> Russian Public Opinion Research Center (VCIOM) is the oldest and the leading marketing and opinion research company in Russia. For more information, please see <http://wciom.com/>.

The results of opinion polls conducted in May 2005 and November 2006 (VCIOM, 2007) showed that 14% of Russians were making planned savings (in 2006 this number increased by 5% from the 2005 figure).

Only 62% of the population used banking products and services, with the top three being: (i) payment of utility bills (27%), (ii) consumer credit (19%), and (iii) current account associated with a debit card linked to the 'salary project' (16%). The remaining 37% of respondents did not use any of the banking products or services.

The results of the opinion poll conducted in July 2011 (VCIOM, 2011) showed that one in three Russians has savings (31%, an increase of 6% from the 2010 figures). It was also confirmed that 37% of those who had savings were retired, and 50% of those who had savings were wealthy.

The data presented in Table 3.3 shows that, ten months into the operation of the DIS, 30% of respondents preferred to keep their money in Sberbank. Only 4% of respondents considered other commercial banks as possible alternatives to Sberbank (VCIOM, 2004). The next most popular forms of savings were real estate (26%) and cash (19%).

**Table 3.3**

Preferences about savings among the Russian population after the establishment of the DIS

| Which forms of savings do you prefer now, after the establishment of the DIS? | Percentage |
|---|------------|
| Savings account in Sberbank   | 30%        |
| Savings account in a commercial bank  | 4%         |
| Savings accounts in both Sberbank and a commercial bank                       | 6%         |
| Cash  | 19%        |
| Securities  | 3%         |
| Real estate   | 26%        |
| Other   | 2%         |
| Difficult to say  | 11%        |

*Source:* Adapted from VCIOM (2004).

Further similar opinion polls investigating the saving behaviour of the Russian population, was conducted in October 2008 (VCIOM, 2008a, 2008b), in October 2009 (VCIOM, 2009) and in July 2011 (VCIOM, 2011). The results on what the Russian

population identified as the most secure ways of saving money were compared to the results of similar opinion polls conducted since 1998 (see Table 3.4).

Whilst keeping money in real estate stayed on top of the list of ways to save money (51% in 2008, compared to 45% in 1998), opening an account in Sberbank came third (17% in 2008, compared to 9% in 1998), and keeping money in a commercial bank was chosen only by 2% of respondents (no change compared to 1998).

59.4% of respondents did not fear losing their savings, whilst the remaining 40.6% feared their savings would be lost. Moreover, three per cent of respondents claimed to be *privately insuring their savings bank accounts*.

In November 2008, VCIOM (2008c) conducted a repeat opinion poll with the same questions as in October 2008 (see above). Compared to the results of the October poll, in November, only one in four Russians had a savings bank account (25%, compared to 32% in October 2008). Most of the respondents with a savings bank account lived in big cities (31%), were in the 25-44 years age group (27-28%<sup>104</sup>) and had a higher degree qualification or were in higher education at the time (30%).

In terms of the forms of savings, confidence in the commercial banks fell from 2% in October 2008 to 1% in November 2008. Confidence in Sberbank also fell from 17% in October 2008 to 11% in November 2008.

With regard to confidence in the banking system, the results of the opinion poll conducted in March 2006 (VCIOM, 2006) showed that the level of confidence appeared to be low (only 36.5% of respondents agreed that big Russian banks were reliable enough and trustworthy).

The result of this opinion poll also helped identify a ‘vulnerable’ consumer. It was evident that confidence in the banking system is not equally distributed among the Russian population. People who are poorer on average have a lower opinion of the banks and the banking system. Moreover, those people, who do not have savings (mostly due to low income), also have little confidence in the banking system. It was claimed that such a

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<sup>104</sup> This percentage is taken from VCIOM (2004).

result is fairly logical, as vulnerable population stratum can easily lose confidence in social institutions in times of instability.

Additionally, a direct relationship between how people perceive their awareness of banks and confidence in the banking system was identified. Hence, 77.2% of respondents who did not understand banking products and services showed distrust of large Russian banks; whilst 64.8% of the respondents who did understand banking products and services, expressed confidence in the banking system.

#### **3.3.1.2    *Opinion Polls on Awareness of the DIS***

VCIOM (2004) showed that in October 2004, ten months after the Federal Law came into force, almost half of the population (45%) still had not heard about the DIS.

Furthermore, 34% respondents who were aware of the DIS did not know full details of it, and only 18% of respondents understood how the DIS worked.



**Table 3.4**

Preferences about savings among the Russian population between 1998 and 2010, in percentage.

| Which forms of savings do you see as being the safest at the moment? | Percentage |       |       |       |       |       |       |       |       |       |       |       |       |       |
|--|------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|  | 10/98      | 10/08 | 11/08 | 12/08 | 01/09 | 03/09 | 04/09 | 05/09 | 06/09 | 07/09 | 07/10 | 12/10 | 04/11 | 07/11 |
| Real estate  | 45%        | 51%   | 48%   | 41%   | 40%   | 49%   | 44%   | 42%   | 48%   | 43%   | 48%   | 52%   | 50%   | 43%   |
| Savings account in Sberbank  | 9%         | 17%   | 11%   | 16%   | 14%   | 12%   | 17%   | 17%   | 17%   | 16%   | 19%   | 24%   | 26%   | 26%   |
| Gold, jewellery  | 26%        | 19%   | 21%   | 17%   | 19%   | 21%   | 19%   | 18%   | 19%   | 19%   | 17%   | 24%   | 20%   | 15%   |
| Cash in RUB  | 14%        | 13%   | 13%   | 14%   | 13%   | 11%   | 13%   | 13%   | 11%   | 15%   | 13%   | 15%   | 17%   | 15%   |
| Cash in foreign currencies   | 39%        | 7%    | 7%    | 6%    | 12%   | 11%   | 8%    | 7%    | 10%   | 11%   | 6%    | 8%    | 9%    | 7%    |
| Savings account in a commercial bank                                 | 2%         | 2%    | 1%    | 2%    | 1%    | 1%    | 2%    | 2%    | 2%    | 2%    | 4%    | 4%    | 3%    | 4%    |
| Securities   | 3%         | 8%    | 5%    | 4%    | 4%    | 3%    | 4%    | 4%    | 4%    | 6%    | 6%    | 6%    | 4%    | 4%    |
| Pension funds  | 5%         | 6%    | 4%    | 4%    | 5%    | 4%    | 5%    | 4%    | 5%    | 4%    | 5%    | 4%    | 4%    | 4%    |
| Unit investment trusts   | 1%         | 4%    | 2%    | 1%    | 2%    | 2%    | 2%    | 2%    | 2%    | 2%    | 3%    | 2%    | 2%    | 2%    |
| Other  | 4%         | 4%    | 4%    | 5%    | 3%    | 3%    | 3%    | 3%    | 3%    | 4%    | 4%    | 4%    | 5%    | 6%    |
| Difficult to say   | 17%        | 19%   | 21%   | 23%   | 21%   | 21%   | 22%   | 24%   | 21%   | 22%   | 20%   | 12%   | 13%   | 18%   |

Source: Adapted from VCIOM (2008a, 2009, 2011).

In October 2008 (VCIOM, 2008a), 60% of the Russian population did not know the correct deposit insurance compensation amount, and 22% could not give an answer to this question at all. Only 18% of the respondents stated the amount correctly.

**Table 3.5**

Respondents' knowledge about the DIS, in percentage.

| Do you know that there is a DIS in Russia?                        | Percentage    |               |              |               |               |
|---|---------------|---------------|--------------|---------------|---------------|
|   | November 2006 | December 2007 | October 2008 | November 2008 | February 2010 |
| I know enough about the DIS                                       | 4%            | 3%            | 12%          | 19%           | 3%            |
| I know roughly how the DIS works                                  | 15%           | 12%           | 21%          | 26%           | 16%           |
| I have heard something, but cannot say anything concrete about it | 26%           | 23%           | 32%          | 33%           | 30%           |
| This is the first time I have heard about it                      | 49%           | 60%           | 31%          | 20%           | 47%           |
| Difficult to say  | 6%            | 2%            | 4%           | 3%            | 4%            |

*Source:* Adapted from VCIOM (2008c, 2010b).

Throughout October 2008, Russians received more information about the DIS (VCIOM, 2008c). Whilst in October 2008, 31% of respondents heard about it for the first time, in November of the same year, this figure decreased to 20% (see Table 3.5 for comparison with the results of other opinion polls).

**Table 3.6**

Respondents' knowledge about the maximum compensation amount, in percentage.

| In your opinion, what amount is covered by the DIS? | Percentage   |               |
|---|--------------|---------------|
|   | October 2008 | November 2008 |
| Under RUB 50,000                                    | 5%           | 3%            |
| RUB 50,001-100,000                                  | 9%           | 3%            |
| RUB 100,001-200,000                                 | 6%           | 1%            |
| RUB 200,001-300,000                                 | 2%           | 0%            |
| RUB 300,001-400,000                                 | 5%           | 3%            |
| RUB 400,001-699,999                                 | 1%           | 2%            |
| RUB 700,000 or more                                 | 1%           | 38%           |
| I know nothing about this                           | 50%          | 26%           |
| Difficult to say                                    | 22%          | 23%           |

*Source:* Adapted from VCIOM (2008c).

As for the deposit insurance compensation amount, in October 2008, very few respondents could state the amount correctly, whilst in November 2008, 38% stated it

correctly. However, this result is questionable as, not only is the scale disproportionate, but also the option chosen by 38% of respondents was worded as “RUB 700,000 and more” whilst the actual amount was, and still is, *exactly* RUB 700,000 (see Table 3.6).

Apart from public opinion polls, there are also several documents published by the DIA which contain statistical data on the DIS.

### 3.3.2 Annual Reports and Other Analytical Documents of the DIA

According to Article 24 of the Federal Law, the DIA publishes annual reports. Moreover, it also prepares quarterly, bi-annual and annual overviews of the household savings market whereby it analyses the trends.

#### 3.3.2.1 Annual Reports

The annual reports provide information on the development of the DIS, as well the execution of other functions of the DIA, including the management of receivership and liquidation proceedings, and the operations aimed at preventing bank insolvencies in Russia (DIA, 2005, 2006, 2007, 2008a, 2009a, 2010a, 2011a).

In terms of structural indicators of the DIS, the following details are presented in the annual reports.

As of 01 January 2011, there were 909 banks included in the DIS, and there were 16 insured events during 2010. Figures for years 2004-2010 are presented in Table 3.7.

**Table 3.7**

Changes in the structural indicators of the DIS in Russia, by years

| Year | Included in the register of DIS member banks | Excluded from the register of DIS member banks | Number of DIS member banks at the end of the year | Number of insured event during the year |
|------|--|--|---|---|
| 2004 | 381  | 0  | 381   | 0                                       |
| 2005 | 562  | 12   | 931   | 1                                       |
| 2006 | 10   | 7  | 934   | 9                                       |
| 2007 | 7  | 7  | 934   | 15                                      |
| 2008 | 13   | 10   | 937   | 27                                      |
| 2009 | 7  | 19   | 925   | 31                                      |
| 2010 | 7  | 23   | 909   | 16                                      |

Source: DIA (2011a: 7).

The DIA (2011a) reported that 99.7% of deposits were fully covered in 2010. This figure has been consistently over 99% since 2008 (DIA, 2009a, 2010a).

The DIA uses the statistics on the increase of household deposits as evidence to the DIS's contribution to the increase or maintenance of public confidence in the banking system. For example, the Annual Report for 2010 states the following:

In 2010 DIS contributed to maintaining public confidence in the banking system. During the reporting year household deposits were rapidly growing even taking into account the decrease of the interest rates to the levels that were lower than the rate of inflation. This shows that primarily citizens consider bank deposits as a safe harbor for their savings. (DIA, 2011a: 15)

However, such a causal link is questionable, as it has not been tested.

### **3.3.2.2 *Special Studies on the Impact of the DIS in Russia***

Apart from opinion polls, described in Section 3.3.1, VCIOM conducted two surveys on the impact of the DIS on public saving behaviour in response to a request by the DIA. The first survey was conducted in December 2007 and the second in February-March 2010. Both surveys included quantitative and qualitative components. The quantitative components of each survey consisted of an individual questionnaire filled in by 1,600 respondents in 153 settlements across Russia, whilst the qualitative component consisted of 20 in-depth interviews in six cities with representatives of a so-called 'high income group' with a monthly income in excess of RUB 50,000 per person.<sup>105</sup>

The main findings of the 2007 and 2010 surveys can be summarised against the three stated objectives of the DIS as follows.

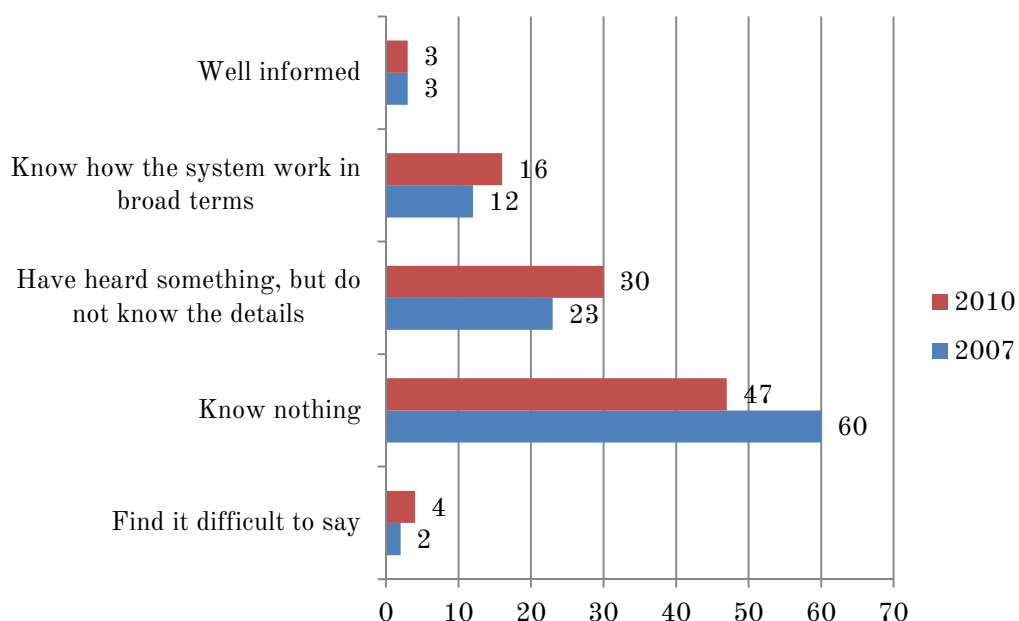
With regard to the *protection of depositors' rights and legal interests*, there have been three main findings. First, the results confirmed that 38% of respondents in 2007, and 49% of respondents in 2010 were more or less aware of the DIS, including those who did not know full details (see Figure 3.5). This means that almost half of the respondents still did not know anything about the DIS.

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<sup>105</sup> For a more detailed overview of the results of 2007 survey, please see Appendix 6.

**Figure 3.5**

Respondents' knowledge about the DIS, in percentage



Source: Adapted from DIA (2010b: 54).

The results of the 2007 survey state that high income interviewees had a general knowledge about the DIS, but it is not clear what ‘general’ means in this context. In 2010, all interviewees knew about the DIS, most of them could state the maximum compensation amount and some even showed knowledge of the payout process.

Second, 37% of respondents were aware of the increase in the maximum compensation amount which took place in 2007. This number exceeded the number of respondents who had some type of bank account (33%).

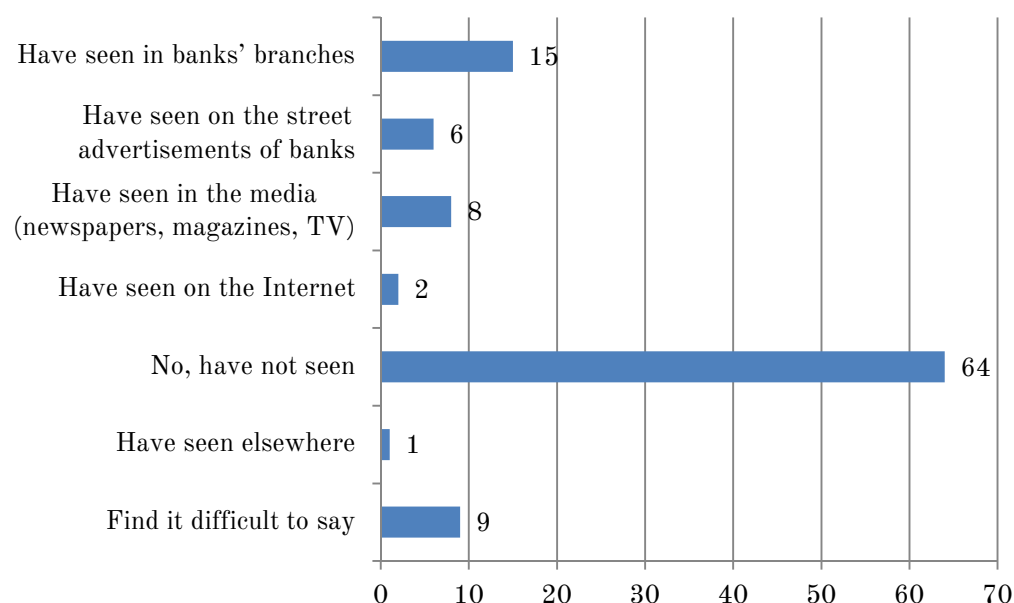
Third, in 2010, 27% of respondents reported to have recognised a DIS sign in banks’ branches, in banks’ advertising on the streets, and in the printed media or on TV. 64% did not notice the DIS sign at all (see Figure 3.6).

With regard to the increase in *public confidence in the banking system*, there was one main finding. The results of the 2007 survey showed that 16% of respondents felt more confident about banks, 8% reported less confidence, whilst 46% stated that their attitude towards banks had not changed at all since 2004. Considering almost half of the

respondents reported no change in their confidence level and, whilst it is not clear at what level their confidence was at the time, the conclusion that “[t]hus, positive dynamics in the change of public attitude to banks can be testified” (see Appendix 3) is questionable.<sup>106</sup>

**Figure 3.6**

Familiarity of respondents with the DIS sign, in percentage



*Source:* Adapted from DIA (2010b: 57).

In comparison, in 2010, 54% of respondents reported no change in their attitude to banks (more than double of the results of the 2007 survey), whilst 6% of respondents (compared to 16% in 2007) reported an increase in their confidence in banks because of the governmental protection of deposits and 7% of respondents (compared to 22% in 2007) attributed the increase in their confidence level to evidence of safety of the banks.

The high income interviewees confirmed that, on the whole, their confidence in the banking system had increased in recent years. Some interviewees mentioned the establishment of the DIS as the reason for their increased confidence. However, their opinion about the DIS as such differed, with some interviewees believing that the

<sup>106</sup> However, the summary of the results of 2007 survey presented in Appendix 3 does not correspond to the comparative results of the 2007 and 2010 surveys presented in DIA (2010b).

introduction of the DIS was a very important step in bringing the Russian banking system closer to international standards, whilst others did not trust the DIS because of its governmental nature.

With regard to the *encouragement of household savings*, there have been four main findings. First, the surveys helped to define a ‘systemic saver’, a retail depositor who lives in Central or North-West Federal Districts of Russia, has free resources available after covering all basic needs, and is in a position to save these resources. 15% of respondents fell into this group in 2007, and 9% in 2010. The second most common category of typical savers was pensioners.

It is interesting to note, that whilst a typical ‘systemic saver’ earned a monthly income of RUB 5,000 per person, as defined in the results of 2007 survey, VCIOM chose to conduct in-depth interviews with a group of respondents who had much higher income and thus may not have represented an average ‘systemic saver’ at the time. This poses the question as to why this group of depositors was chosen for interview, and whether it was done to provide a more favourable response.

In 2010, 40% of respondents could be classified as ‘depositors’ according to the meaning of the Federal Law (in 2007 this figure was 33%). This 40% consisted of two groups: 24% of respondents who knew that they had a current or savings bank account, and 16% of respondents who stated that they do *not* have a bank account, but then in a different question indicated that they have a debit or credit card through the ‘salary project’ with their employer.

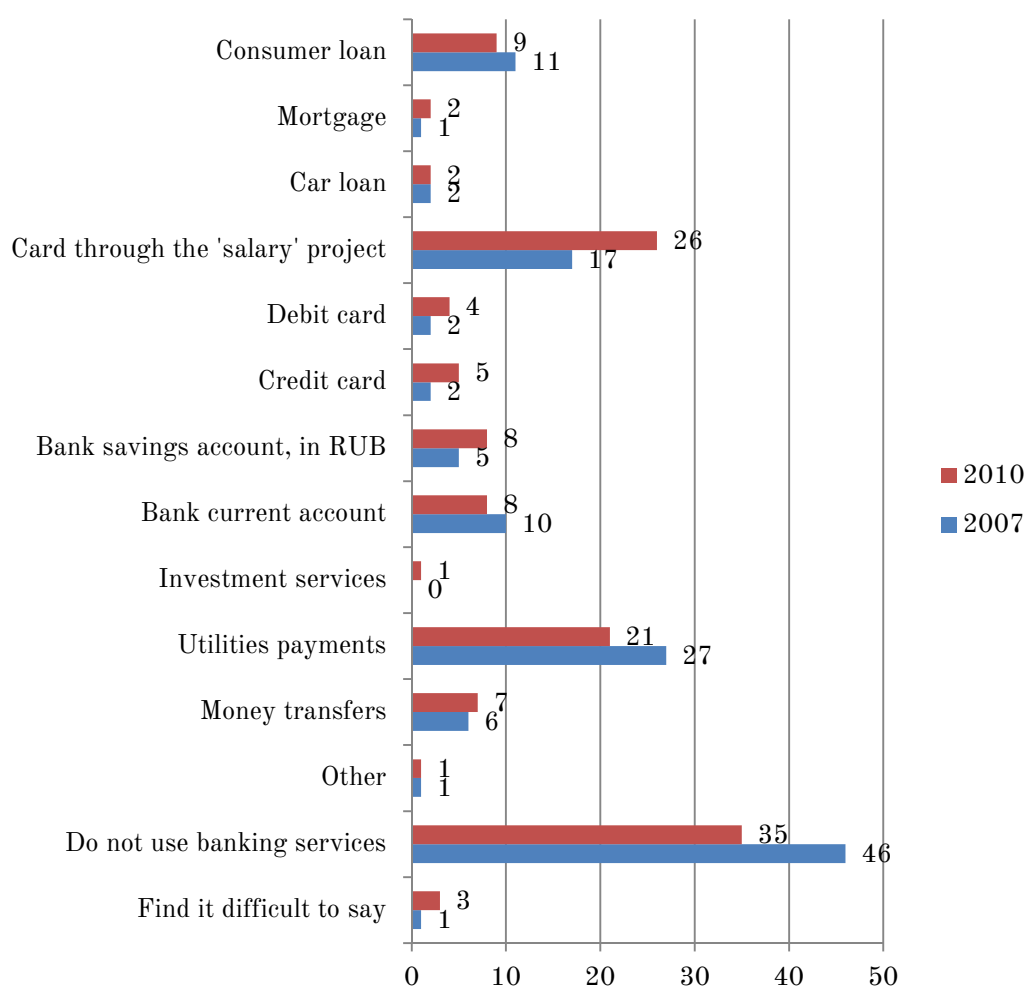
In terms of use of banking services, 46% of respondents did not use any banking services in 2007; in 2010 this figure went down to 35% (see Figure 3.7). DIA (2010b) explains this with the increase of those respondents who used debit or credit card through the ‘salary project’ (their share went up from 17% in 2007 to 26% in 2010).

Second, the surveys identified a differentiation in depositors’ saving behaviour depending on whether they lived in the two biggest cities – Moscow and Saint-Petersburg – or in other cities and towns. It appears that those living in Moscow and Saint-Petersburg do not see the need to make regular savings or investments, and prefer to spend their

monthly income in full to meet their increasing demands. However, the share of regular savers in these cities is higher (23%) compared to those living in smaller cities and towns (14-16%). In 2010, the situation changed, balancing the results across the groups, because of a decrease in the income of respondents in the two biggest cities.

**Figure 3.7**

Respondents' usage of banking services at the time of surveys, in percentage



Source: Adapted from DIA (2010b: 26).

Third, there was no consensus among the respondents on what amount constitutes a 'savings' amount. In 2007, only 9% of respondents considered amounts exceeding RUB 100,000 to be a 'savings' amount, whilst the maximum compensation amount under the DIS at the time was RUB 400,000 (with co-insurance element). It has been concluded that, "the above testifies that DIS potential impact on investment and saving public



behaviour within the framework of existing insurance coverage is far from being exhausted” (see Appendix 3). From the perspectives of high income group interviewees, in 2007, the ‘savings’ amount was an amount between RUB 100,000 and RUB 500,000.

Fourth, in 2007, 15% of respondents reported that the DIS had an impact on their saving behaviour. Among other findings, 12% of respondents stated that they paid more attention to interest rates in smaller and lesser known banks, 14% of respondents opened bank accounts for the first time, whilst 7% increased amounts in their bank accounts or the term of their savings accounts, and a further 3% of respondents started spreading their savings across different bank accounts. In 2010, the number of respondents who reported an impact of the DIS on their saving behaviour decreased to 8%. DIA (2010b) explained this by the fact that depositors’ knowledge about the DIS had gone to a subconscious level and they could not adequately report the change in their behaviour due to the DIS.

The impact of the DIS on the saving behaviour of high income interviewees was three-fold: almost all of them (i) reported to mirror the amount in their savings accounts with the maximum compensation amount, (ii) chose long term savings accounts without fear of losing money, and (iii) expressed greater trust in non-state banks.

15% of respondents, who knew about the increase in the maximum compensation amount which took place in 2007, reported a change in their saving behaviour following this event. Of these, 7% increased the amount in their bank accounts (or were planning to increase), 4% opened a bank account for the first time (or were planning to do so in the near future), and the remaining 4% extended the term of their savings account.

Other findings included the distribution of respondents with resources to save by age, and the list of criteria respondents used when choosing a bank.

### ***3.3.2.3 DIA’s Overviews of Household Deposits Market Developments***

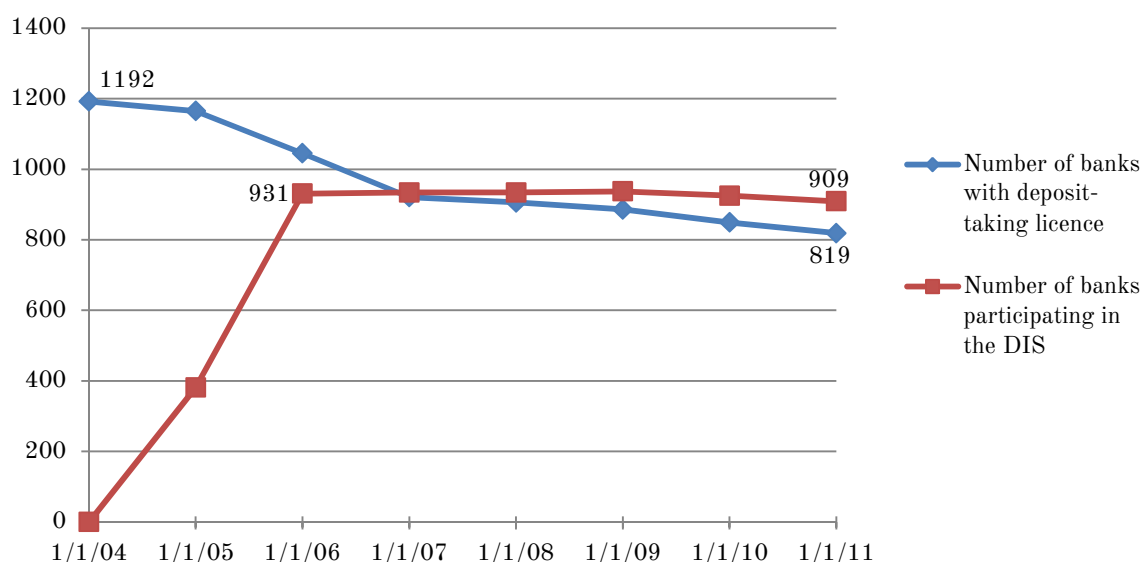
The DIA publishes quarterly, bi-annual and annual overviews of the household deposits market in Russia. Each of these overviews consists of nine sections, which cover the following information.

The first section looks at the general economy trends which may affect the development of the household deposits market, for example, industry growth, currency exchange rates, consumer prices, average monthly salaries and the share of organised savings within the spending structure of the population in the particular reporting period.

The second section looks at the institutional aspects of the household deposit market development and the participation of banks in the DIS (see Figure 3.8). The difference between the higher number of banks participating in the DIS and the lower number of banks with a deposit-taking banking licence is due to the on-going payouts for banks whose banking licence has been revoked.

**Figure 3.8**

Number of banks with deposit-taking banking licence and those participating in the DIS



Source: DIA (2008b, 2009b, 2010c, 2011b).

It further looks at the total volume of deposits in banks participating in the DIS. The share of the total volume of retail deposits in the GDP has been steadily growing in the past seven years (reaching 22.1% in 2010 (DIA, 2011b)), with the exception of 2008, when the figure dropped to 14.2% (from 15.5% in 2007 (DIA, 2008b)) as a consequence of the global financial crisis (DIA, 2009b).

The second section also provides information on the number of insured events in the reporting period, details of the distribution of the DIA's liabilities across different banks and across different amounts of banks accounts. Furthermore, it provides an overview of the shares of different banks and groups of banks on the household market. DIA (2008b, 2009b, 2010c, 2011b) suggests that, not only there is an emerging trend for the decrease of the share of the 30 biggest banks, but there is also a visible trend in the decrease of the share of Sberbank in the deposit market, with an exception in both trends in the second half of 2008, when the volume of deposits in the 30 biggest banks (including Sberbank) increased.

The third section of these overviews describes the dynamics of attracted household deposits. DIA (2008b) and DIA (2009b) confirm that the increase in the maximum compensation amount was followed by the increase in the total volume of deposits, especially in the amount category which was affected by the increase.

The fourth section provides details on the structure of attracted deposits, in terms of the time of such deposits, the amount deposited and the currency used. Within the last four years, it is evident that there was a tendency for the population to consolidate their savings into single savings account of higher amounts (DIA, 2008b, 2009b, 2010c, 2011b).

The fifth section of household market development overviews describes the dynamics of interest rates on the market, whilst the sixth, seventh and eights sections of each overview look at the household deposits market in the regions (across regional and Moscow banks), across the large network banks and across the banks with 100% foreign capital.

For reporting purposes, the DIA classifies banks into four categories:

- (i) Multi-branch network banks (banks with branches in more than 10 regions of Russia and with the total amount of retail deposits over a certain amount);<sup>107</sup>

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<sup>107</sup> At the moment, this amount is RUB 3 trillion. As of 01 January, 2011 there were 42 network banks (DIA, 2010c: 25).

- (ii) Regional banks (banks which are not multi-branch network banks; with headquarters outside Moscow);
- (iii) Moscow banks (banks which are not multi-branch network banks; with headquarters in Moscow);
- (iv) Banks with 100% foreign capital<sup>108</sup> (multi-branch network banks with 100% foreign capital are included in this category).<sup>109</sup>

Banks of all categories suffered from the 2008 global financial crisis. However, whilst the growth rate of network banks and banks with 100% foreign capital fell by about half from the 2007 figures, the fall in the growth rate of regional and Moscow banks was approximately eightfold. The growth rate of Moscow banks soared from 5.5% in 2008 (DIA, 2009b) to 60% in 2010 (DIA, 2011b). DIA (2010c: 24, 2011b: 23) explains this by the much higher income growth of Moscow residents compared to the residents of other regions of Russia, by the quicker restoration of the economy in the Moscow region and the availability of free financial means to deposit in Moscow banks.

From the data presented in the overviews, it is evident that any withdrawals at regional banks, Moscow banks and banks with 100% foreign capital during 2008 were absorbed by network banks, which increased their share of the total volume of deposits in 2009 by 5% (DIA, 2009b, 2010c). The share of network banks in the total volume of deposits in 2010 stayed at the same level as in 2009 (DIA, 2011b).

Over the past four years, regional banks saw a decrease in the volume of retail deposits within the under RUB 100,000 category, and a steady increase in the volume of retail deposits within the RUB 400,000-700,000 category (DIA, 2008b, 2009b, 2010c, 2011b). The volume of retail deposits in the over RUB 700,000 category decreased

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<sup>108</sup> Vernikov (2002) notes that the target audience for foreign banks in the Russian market have always been foreign and large national companies, mainly involved in foreign trade. Several banks with 100% foreign capital showed interest in working with retail depositors and took real steps toward increasing their retail banking offerings, and not limiting themselves to only servicing 'salary project' of their corporate clients (including opening the current bank accounts and debit cards for their employees).

<sup>109</sup> As of 01 January 2011 there were 55 banks with 100% foreign capital (DIA, 2010c: 27).

between 2007 (DIA, 2008b) and 2009 (DIA, 2010c), but showed a substantial growth from 36.5% to 44.2% in 2010 (DIA, 2011b).

Both network banks and banks with 100% foreign capital had consistently higher volume of retail deposits within the over RUB 700,000 category (DIA, 2008b, 2009b, 2010c, 2011b). However, whilst network banks did not experience major changes in this category after 2007, banks with 100% foreign capital experienced an outflow of retail deposits in this category in 2008 (58.7% compared to 63.6% in 2007).

It should be noted that both regional and network banks saw an increase in the volume of retail deposits in the RUB 400,000-700,000 category following the changes in the maximum compensation amount in October 2008 (an increase from 12.6% to 16.7% for regional banks, and from 9.8% to 13% for network banks).

The final, ninth section of each overview provides the summary of main trends for the reporting period.

### 3.3.3 Independent Evaluations

There are very few independent studies on the Russian DIS. These studies can be divided in two broad groups: the first group contains studies published in foreign literature, and the second group consists of studies published in Russian academic journals and other sources.

#### 3.3.3.1 *Studies Published in Foreign Literature*

FSAP (FSAP, 2003: 5) reviewed the proposed reform and stressed that, because the previously used liquidation process proved to be highly costly and ineffective<sup>110</sup>, “<...> the authorities [should] proceed with the proposed scheme only if they are fully committed to take the necessary difficult decisions” when it comes to revoking licences from the unsound banks. They further suggested that, for the DIS to be successful, several additional reforms should be implemented, including the introduction of supporting legislation for banking supervision and the re-assessment of Sberbank’s roles

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<sup>110</sup> Until 2002, for the CBR to revoke a banking license, an arbitration court had to find the bank to be bankrupt before the liquidation procedure can commence (FSAP, 2003).

within the development of the banking sector. FSAP (2003: 4) argued that “[d]efficiencies in the bank failure resolution system have resulted in a large number of phantom banks and has undermined depositors’ confidence in the banking system”, and, therefore, changes have to be made to make the process more effective. In their opinion, by moving the resolution process “into an administrative rather than judicial context” (2003: 5), the CBR would have more power to resolve problem banks, thus contributing to the cusses of the DIS.

Based on the further analysis carried out in July 2008, FSAP (2010: 6) stressed the importance of a bank resolution framework:

[t]he CBR would benefit from having the authority to intervene in weak banks at an early stage, thereby containing resolution costs in larger, more complex cases and limiting disruption to creditors, including depositors. Such corrective action and a broader range of options to sell the franchise of a failed bank to interested investors could be important resolution tools.

FSAP (2010: 28) also emphasised that, despite the DIA’s success in improving the level of confidence in the DIS among the retail depositors, further efforts should directed at improving public awareness of the main features of the DIS in Russia and that the DIA has “to ensure that the extent of coverage and solvency of the system is fully recognised by depositors”. Furthermore, they encouraged a review of the DIS, particularly with respect to co-insurance.

As part of review of several banking reforms, Thompson (2004) provides an analysis of the Federal Law and an assessment of its likely impact. Thompson (2004: 2) names the introduction of the DI in Russia as one of the most important banking reforms at the time, and argues that “[t]he real test of Russian banking reform efforts, however, will be in implementation” as the success of the Russian banking sector development, and the DI reform in particular, will depend on the changes that occur in the wider contracting environment.

Tompson (2004: 16) submits that the common assertion that “the absence of DI is a major reason for households’ reluctance to bank their savings” may not be true in the case of Russia since despite state guarantees enjoyed by state-owned banks, the

population still prefers to keep cash at home, so-called ‘mattress money’.<sup>111</sup> It is further suggested that, considering the limited coverage, “the direct impact of the introduction of DI on households’ propensity to place unbanked savings into the financial system will be limited”, however, “[t]his need not matter a great deal, given that ordinary Russians’ inclination to bank their savings appears to be growing anyway” (Tompson, 2004: 28). Unfortunately, no empirical evidence is presented to support any of the above assertions. Moreover, it is evident that Tompson (2004) has high expectations for the fostering of competition in the banking sector with the help of the DI, and for the creation of equal opportunities for state-owned (including Sberbank) and privately-owned banks.

Camara and Montes-Negret (2006: 4) set out to assess “how effective the new system has been so far” and its impact on the stability and development of the banking system in Russia, as well as to draw lessons from the implementation process.

In terms of implementation of the deposit insurance reform in Russia, Camara and Montes-Negret (2006) submit that Russia should have strengthened the monitoring and enforcement capabilities of the CBR before introducing the DIS, as the strong powers of the CBR in this area and a straightforward resolution process are critical to the effectiveness of the DIS. In their view, conflicting interests of different stakeholders and a fear of another banking crisis led to “sub-optimal outcomes from a public policy perspective” (Camara and Montes-Negret, 2006: 13). As a result, the fact that over 80% of all banks in Russia were admitted to the DIS received generally negative reviews.

In terms of encouragement of household savings and increase in confidence in the banking system among the Russian population, Camara and Montes-Negret (2006: 10) argue that Russia has an underdeveloped financial sector, and, in such an environment, “deposit insurance can not, by itself, <...> stimulate savings in the domestic banking system.” Moreover, they question whether the proposed graduated increase in the maximum compensation amount, advocated by the DIA, as a tool to encourage more savings, will result in an increase in the public trust in private banks.

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<sup>111</sup> Tompson (2004) names tax avoidance and uncertainty in the national currency as the possible reasons for such reluctance rather than the fear of banks failure.

Camara and Montes-Negret (2006) admit that the decrease in the market share of Sberbank and the 30 biggest banks indicates an increase in competition in the banking sector, however they also argue that, despite Sberbank not being part of the DIS until early 2007, “the perception of an implicit 100 percent insurance by the state would most likely remain with Sberbank’s depositors” (2006: 11).

Finally, they stress that the structural framework of the DIS as provided by the law “reflects in many respects good practices from international experience” (Camara and Montes-Negret, 2006: 4). However, whilst “some immediate and possibly temporary benefits can be attributed to the new DIS” (2006: 15), they recommend eight policy changes which will strengthen the legal and institutional framework of the banking system in Russia.

FSVC (2007: 5) argued that the increase in household deposits of 150% since the introduction of the DIS in late 2003 “reflect[s] proper functioning of the DIS as designed under the law”. They further praise the transfer of the liquidation process from the CBR to the DIA, and the use of purchase and assumption agreements instead of the full scale liquidations, which, in their opinion, will help maintain confidence in the banking system whilst also minimising payouts. In terms of the implementation process, FSVC (2007) argued that there was an effective screening process put in place both during the acceptance of banks into the DIS and afterwards. However, this is challenged by a number of authors, including Camara and Montes-Negret (2006), who believe that Russia missed an opportunity to use the introduction of the DIS to restructure its banking system by disposing of unsound banks.

A later version of the same evaluation (Camara and Montes-Negret, 2008) appeared in Demirgüç-Kunt, Kane, and Laeven (2008), however did not contain any new information and was a mere reprint of their earlier version.

### **3.3.3.2 *Studies Published in Russian Literature***

The Russian academic literature on the DIS can be characterised not only by its focus on doctrinal research, but also by the scarcity of references to the vastly available resources on the topic in foreign languages. These can be explained by the continued low level of



knowledge of foreign languages among academics in Russia. Some of those who refer to foreign literature are clearly unaware that they re-print foreign publications.<sup>112</sup>

The topics covered by Russian academic literature in relation to the DI are varied. The majority of authors provide a description of the main provisions of the Federal Law (Akhmayev, 2006; Gubayuk, 2004; Guznov, 2004a, 2004b, 2004c; Khomenko, 2006; Kornilova, 2006; Krichevsky, 2005; Lyalin, 2005b; Makarova, 2004; Makhmutova, 2005; Timofeyev, 2006b). Some authors discuss the place of DI within the traditional insurance types in Russia (Amerkhanova, 2005; Lazareva, 2006; Makhmutova, 2005; Rudov, 2007; Vasnov, 2004) with conflicting conclusions, whilst others provide review the history of DI in Russia (Amerkhanova, 2005; Guznov, 2004a; Khomenko, 2006; Kornilova, 2006; Timofeyev, 2006b).

Other authors discuss the objectives of the DIS in Russia (Khomenko, 2006; Lazareva, 2006; Rudov, 2007; Timofeyev, 2006a; Timofeyev, 2006b; Turbanov, 2004), the obligatory nature of the DIS (Krichevsky, 2005; Lazareva, 2006), and the regulation of retail depositor protection in banks which did not join the DIS (Guznov, 2004b; Makarova, 2004; Timofeyev, 2006a).

There are also those authors who discuss the development of the competition in the banking sector (Kornilova, 2006; Makarova, 2004; Timofeyev, 2006a) and the changes in the bankruptcy procedures (Golubkov and Kudryashova, 2007; Lyalin, 2005b; Markov, 2006) following the introduction of the DIS.

Other issues discussed in Russian academic literature include the right of subrogation and its applicability to the DIA's claims (Lyalin, 2005a), the positioning of the DI norms within the norms of financial, civil and administrative laws (Komissarova, 2007), the definition of 'deposit' for the purposes of the Federal Law and related to it misunderstandings by the banks participating in the DIS (Zavoda, 2007), a comparison of Russian DI arrangements with those abroad (Timofeyev, 2006b), and an idea of introducing a voluntary DI in addition to the existing DIS (Krichevsky, 2005).

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<sup>112</sup> For example, Timofeyev (2006b: 40) presents six choices in relation to the DIS described by Garcia (1999: 4, 2000: 1) without proper reference to the original, and with reference to a website <http://www.bankir.ru> instead.

Khomenko (2006) provides a review of the impact the DIS had on the household deposits market one year after the DIS was introduced. Based on the statistics from the DIA and the CBR, it is concluded that two out of three objectives of the DIS (protection of rights and legal interests of depositors, and encouragement of savings in the banking system) have been achieved.

Whilst the record of the successful payouts may evidence the existence of the depositor protection mechanism and thus the achievement of the first objective of the DIS, the presented findings in relation of the third objective of the DIS (“to encourage household savings in the banking system”) do not correspond to the conclusion that this objective has been achieved. On the one hand, Khomenko (2006) refers to 62.3% of the population who believed their saving behaviour has not changed since the introduction of the DIS. On the other hand, it is argued that the increase in household deposits in the banking system was due to the fact that the Russian population deposited savings which they kept at home previously, however, it fails to establish a link between the increase in household savings and the DIS.

### **3.4 Summary**

Whilst the DIS was first mentioned in Russian legislation in 1991, all attempts to establish such a scheme at federal level failed until 2003, when the current scheme was introduced.

The Russian DIS aims (i) to protect the rights and legal interests of household depositors, (ii) to strengthen public confidence in the banking system, and (iii) to encourage household savings in the banking system. The membership in the DIS is obligatory for all banks working with retail depositors and the scheme provides compensation in the amount of up to RUB 700,000 per depositor per bank.

Most of the Russian literature on the DIS is doctrinal in nature, and uses little reference to empirical data. All authors who have attempted to assess the effectiveness of the DIS have invariably used statistics from the DIA and CBR, rather than gathering primary data.

Consequently, there has been no systematic evaluation of the Russian DIS, nor any impartial assessment of the extent to which the scheme's stated objectives have been realised.

## Chapter 4

### Methodology

*“For the rational study of law black letter man may be the man of the present, but the man of the future is the man of statistics and the master of economics.”*

*–Oliver Wendell Holmes (1841-1935)*

Having reviewed the literature on the main features of the DIS and its role in depositor protection, as well as the approaches to evaluating the DIS as a public policy, this chapter discusses the methodology adopted to answer the research questions.

Firstly, the research purpose and the research question are introduced in Sections 4.1 and 4.2 respectively. Secondly, the research design, philosophical and methodological assumptions, and research approach are discussed in Section 4.3, and the choice of a cross-sectional, mixed method, non-experimental evaluation is justified. The methods of data collection and techniques used for data analysis are presented in Sections 4.4 and 4.5 respectively. Finally, limitations and ethical implications of the chosen methodology are identified in Sections 4.6 and 4.7.

This chapter draws on the literature on business and social research methodology as well as on specialist literature on the methodology of public policy evaluation.

#### **4.1 Research Purpose**

As explained in Chapter 1, the main aim of this thesis is to evaluate the Russian DIS against its stated objectives, and to shed light on possible problems with the implementation of the 2003 reform.

Evaluation of such reform can only be undertaken when the context in which the DIS ought to operate is understood. There are multiple stakeholders influenced and affected by the introduction of the DIS in Russia. Apart from the government which manages the

DIS through the DIA, the banks participating in the scheme are obliged to provide information about it to retail depositors. However, there are no known enforcement mechanisms to date which would ensure the uniform provision of such information. Hence, the level of knowledge about the DIS and general awareness amongst retail depositors of the scheme may differ from bank to bank.

Previous attempts at evaluating the Russian DIS failed to provide a clear overview of the multiple viewpoints across the spectrum of stakeholders. This research represents an attempt at a comprehensive, methodologically rigorous evaluation of the DIS by capturing the perceived success of the DIS in achieving its objectives among the stakeholders.

## **4.2 Research Question**

The research question of this thesis is ‘*Has the Russian DIS achieved its stated objectives?*’ As introduced in Chapter 3, the Russian DIS has three stated objectives, namely (i) to protect the rights and legal interests of depositors, (ii) to strengthen public confidence in the banking system, and (iii) to encourage household savings in the banking system.

This reflects the research purpose being “[t]o *evaluate* [which] is to monitor social intervention programmes, to assess whether they have achieved their desired outcomes, and to assist with problem-solving and policy-making” (Blaikie, 2009: 70).<sup>113</sup>

To help answer the research question, the present investigation will look at the three stated objectives in turn, and determine how far the DIS is perceived by key stakeholders to have achieved these objectives.

## **4.3 Research Design**

According to de Vaus (2001: 9), the function of a research design is “to ensure that the evidence obtained enables us to answer the initial question as unambiguously as

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<sup>113</sup> Emphasis added. For other types of research purposes, see Blaikie (2009: 69-70).

possible". Therefore, it is important to consider all aspects of the research design in order to achieve the best results from the data collection and analysis.

It is difficult to present the research methods in a coherent way, as different authors use different terms to express the same components or stages of the research design. Whilst this thesis does not aim to offer a comprehensive overview of all different approaches found in the academic literature, it will provide reference to different terms used in the literature. It will consider those terms which were selected as appropriate for meeting the research objectives.

For instance, Cameron and Price (2009: 58) present 'research strata' with 'philosophical preferences concerning ontology and epistemology' at the bottom of the strata and research methods at the top as a final decision-making point. However, whilst they explain most of the levels of their research strata, it is not clear what they mean by a 'research design', as they also refer to it as one of the last levels of the strata. Bryman and Bell (2007) also position the research design decision at the end of the decision-making process. Alternatively, the 'overall framework' described by Creswell (2009: 15)<sup>114</sup> starts with the decision on the design, followed by decision on the procedures of inquiry, and concludes with the choice of specific methods of data collection, analysis and interpretation. Hallebone and Priest (2009: 8) introduce a so-called 'research zip', a metaphor which represents a convergence of paradigm-driven (abstract) and design-driven (concrete) streams of research activity. Saunders, Lewis and Thornhill (2007) depict the complexity of decisions involved in research design through a 'research onion', used as a metaphor to indicate the layers of decision-making.

Blaikie (2009) provides a comprehensive overview of different research designs similar to those described above, and concludes that the categories usually presented in the academic literature are not mutually exclusive. He further argues that

[a] research design contains many elements and each element involves a choice from among alternatives. While some combinations of choices may be more common, and others may not be legitimate, potentially, there is a wide variety of possibilities. The resulting combinations of decisions produce a wide variety of actual designs that cannot easily be described by simple labels. (Blaikie, 2009: 41)

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<sup>114</sup> Also referred to as 'approach' (Creswell, 2009: 6).

Due to the complexity of the context in which the DIS in Russia operates, the evaluation of such a public policy requires a bespoke research design. For that reason, this thesis does not follow the conventional research design process, but introduces its own adaptation of commonly used categories of research design.

The following section defines key terms which are used in the subsequent sections of this chapter, and is based on terminology used by Blaikie (2009) as the most recent and most inclusive combination of research design choices.

### 4.3.1 Definitions of Components of Research Design

The next four sub-sections provide a glossary, and culminate in a roadmap of research design presented in Figure 4.9.

#### 4.3.1.1 *Research Purpose and Research Question*

The starting point in research design is the research purpose and the research question, as the research question “provides the focus and direction for the study” and it is “what the study will attempt to answer” (Blaikie, 2009: 42).<sup>115</sup>

Yin (2003) argues that the purpose of a research study can be to explain, describe and explore. Descriptive research answers the question “what is going on”, whereas explanatory research answers the question “why is it going on” (de Vaus, 2001). Exploratory research develops propositions for the future in a particular subject area.

Blaikie (2009: 69) points out that the research purpose depends on the type of knowledge a researcher wants to produce, and is usually divided into basic and applied purposes: “[r]esearch can set out to explore, describe, explain, understand, predict [which are basic purposes], change, evaluate and assess impacts [which are applied purposes]”.<sup>116</sup>

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<sup>115</sup> Also known as ‘research topic’, which “clearly defines the topic, its context and purpose”, which is “substantially informed by extant work in the literature and the community of practice (Hallebone and Priest, 2009: 7).

<sup>116</sup> For more information on basic and applied research, see Saunders et al. (2007: 8).

#### 4.3.1.2 *Research Paradigm*

A *research paradigm*, including ontology, epistemology, axiology,<sup>117</sup> logic of enquiry, and methodology, is defined as “the basic belief system or world view that guides the investigation, not only in choices of methods but in ontologically and epistemologically fundamental ways” (Guba and Lincoln, 1994: 105).<sup>118</sup>

Cameron and Price (2009: 73) suggest that it is logical to start the research design process with the philosophical preferences since these are “the foundation upon which everything <...> will rest”.

#### 4.3.1.3 *Research Strategy*

Different authors use the term ‘research strategy’ at different stages of the research design process. Some understand it as a logic of inquiry (Blaikie, 2009), whilst others, like Creswell (2009), refer to case study, action research and grounded theory as types of research strategy.<sup>119</sup> For the purposes of this thesis, *research strategy* has the same meaning as a logic of inquiry.

#### 4.3.1.4 *Research Methodology*

For this thesis, research methodology is defined generically, and includes quantitative, qualitative and mixed-method methodologies.<sup>120</sup>

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<sup>117</sup> Axiological assumptions relate to the role of values in science and research, and are closely related to epistemology. This thesis does not include axiological assumptions in the research paradigm. For more information on axiology, see Bahm (1993), Campbell (1935), Edwards (1995), Hart (1971), and Weinberg (1970).

<sup>118</sup> Creswell (2009) calls these philosophical ideas ‘worldview assumptions’ unlike previously (Creswell, 2007) when they were referred to as ‘paradigms’.

<sup>119</sup> Interestingly, the same types are referred to as ‘research approaches’ by Cameron and Price (2009: 248).

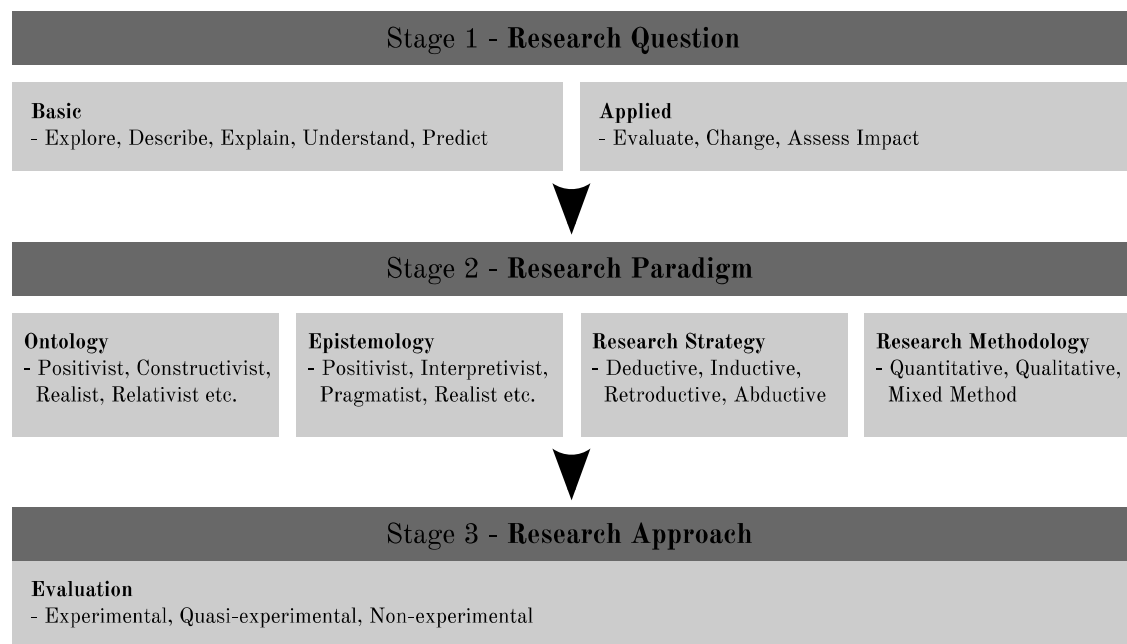
<sup>120</sup> Creswell (2009) consider research design to be either qualitative, quantitative or mixed methods.



#### 4.3.1.5 Research Approach

The research approach depends on the research purpose and research question. It can be classified according to difference lenses through which a researcher views the research. The example in Figure 4.9 is only one such lens, and represents the type of evaluation (experimental, quasi-experimental, non-experimental).

**Figure 4.9**  
Roadmap for research design



*Source:* Adapted from Blaikie (2009), Bryman and Bell (2007), Hallebone and Priest (2009), and Saunders et al. (2007).

#### 4.3.2 Research Paradigm

There are several theories in the literature on the philosophy of research which are used to justify the research process. Any research design is dependent on different philosophical assumptions, whether it is regarding the nature of reality (i.e. ontology) or regarding the extent to which reality can be known (i.e. epistemology).<sup>121</sup> Slife and Williams (1995) argue that though philosophical ideas are usually hidden in the research, they do influence the research process and therefore need to be explicitly identified.

<sup>121</sup> For descriptions of different ontologies and epistemologies, see Blaikie (2007, 2009), Bryman and Bell (2007), Cameron and Price (2009), Creswell (2009), Saunders et al. (2007).

Academics tend to place different weight on epistemological and ontological assumptions, and even suggest using them to inform the different stages of the research design process.

Some authors (Bryman and Bell, 2007; Cameron and Price, 2009; Saunders et al., 2007) believe that both epistemological and ontological considerations inform the research design. Cameron and Price (Cameron and Price, 2009: 73) claim that the philosophical preferences inform guarantors of the enquiry system, where the guarantors are “the foundation upon which everything <...> will rest”. However, Creswell (2009) argues that the first, and most important, decision a researcher takes is about the research design, and that epistemology and ontology only aid in this decision-making process.

Creswell (2007) argues that ontological, epistemological and methodological assumptions can be grouped together into research paradigms, so-called “set[s] of basic beliefs that guide action”. According to Guba and Lincoln (1994: 107), paradigms represent “a worldview that defines, for its holder, the nature of the “world”, the individual’s place in it, and the range of possible relationships <...>. The beliefs are basic in the sense that they must be accepted simply on faith <...>”. They describe four paradigms, namely positivism, postpositivism, critical theory and constructivism.<sup>122</sup>

Positivism is a paradigm associated with scientific research, entailing a belief in an objective reality, an ideal of a detached, impartial researcher, and a methodology of rigorously testing prior hypotheses, typically using quantitative methods. At the other extreme is constructivism, which is a common paradigm in social research. It favours qualitative methods, emphasises the subjective nature of reality and sees the construction of meaning as being situation- and context-specific.<sup>123</sup>

For the purposes of this investigation, it is important to define the paradigm, which will determine other elements of the research design. The DIS is part of the institutional and

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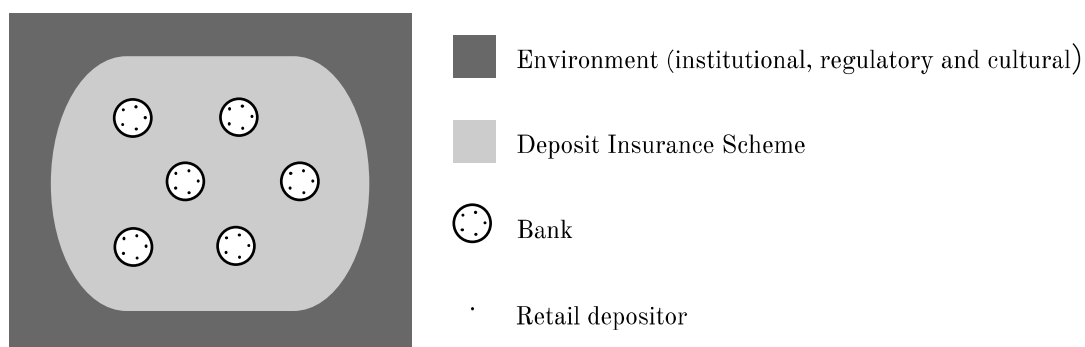
<sup>122</sup> For other paradigms discussed in the academic literature, including pragmatism, see Bryman and Bell (2007), Creswell (2007), and Saunders et al. (2007). Pragmatism, as a paradigm, does not fit easily within the spectrum ranging from positivism to constructivism. It breaks the traditional association between worldview and methodology, taking the stance that methodology should be selected first and foremost based upon the research questions and the specific situation at hand (Cherryholmes, 1992; Diggins, 1994; Goodman, 2005; Morgan, 2007; Murphy and with Rorty, 1990; Rescher, 1977, 2000).

<sup>123</sup> McEvoy and Richards (2006) view interpretivist paradigm at the extreme opposite of positivism.

regulatory environment, consisting of the Federal Law establishing the DIS, the DIA and the banks which implement the DIS, and thousands of retail depositors as the end-users. Accordingly, there are several different contexts (see Figure 4.10), and none of the paradigms so far discussed is well suited to fully embrace such a structure of reality.

**Figure 4.10**

The multiple contexts of the structure of reality involving the DIS



Several academic contributions in criminology, education, nursing, social work, and strategic management recently emerged using critical realism as the research paradigm to accommodate the complex structure of reality.<sup>124</sup> Kazi (2003) and Pawson and Tilley (1997), in particular, advocate a critical realist perspective to evaluative research.

Critical realism, introduced by Bhaskar (1975, 1978, 1989) and further developed by others (Archer, Bhaskar, Collier, Lawson, and Norrie, 1998; Lopez and Potter, 2001), is a “radical paradigm” (McEvoy and Richards, 2006: 69).<sup>125</sup> This new paradigm accepts that “there *is* a reality out there independent of our thoughts and impressions” (Houston, 2001: 850), which can be differentiated into a stratified three-level reality and allows for a study of both the regularities occurring in reality and the contexts and mechanisms which influence these.

McEvoy and Richards (2006) argue that critical realists see two problems with the positivist approach, namely that positivists focus exclusively on observable reality, and look at relationships between variables in isolation. Similarly, critical realists critique the interpretivists who fail to see the embeddedness of phenomena within social structures,

<sup>124</sup> See, for instance, Bergin, Wells, and Owen (2008), Houston (2001), Kazi (2003), Matthews (2009), Miller and Tsang (2010), Scott (2005), and Wilson and McCormack (2006).

<sup>125</sup> Guba and Lincoln (1994) refer to critical realism as an ontology within postpositivist paradigm.

which may have an impact on the actions of individuals. This criticism is shared by Granovetter (1985).

Kazi (2003: 803) states that the critical realist paradigm

<...> has the potential for a ‘white box’ [rather than ‘black box’] evaluation that not only systematically tracks outcomes, but also the mechanisms that produce the outcomes, the contexts in which these mechanisms are triggered, and the content of the interventions.

It is this thorough investigation of the three-level stratified reality that allows offsetting the criticisms of positivism and interpretivism mentioned above.

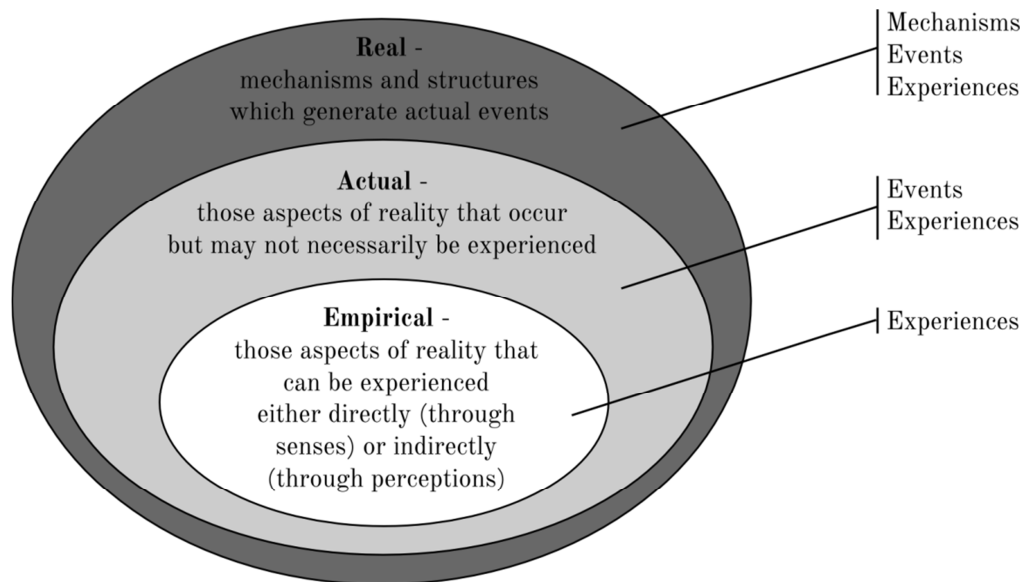
#### 4.3.2.1 *Ontological Assumptions*

The three levels, or domains, of reality are real,<sup>126</sup> actual and empirical (Bhaskar, 1975; Collier, 1994; Sayer, 1992). The relationship between these three levels of reality is presented in Figure 4.11.

Beside this unique ontological assumption, critical realist paradigm has its own epistemological and methodological assumptions.

**Figure 4.11**

The stratified reality according to the critical realist paradigm



<sup>126</sup> Also referred to as ‘deep structures and mechanisms’ (McEvoy and Richards, 2006: 69) and ‘causal level’ (Houston, 2001: 850).

*Source:* Adapted from Bhaskar (1975, 1978), Collier (1994), Sayer (1992), Houston (2001), McEvoy and Richards (2006).

#### **4.3.2.2    *Epistemological Assumptions***

Epistemology is traditionally sub-divided into empiricism and rationalism, which look at *where valid knowledge is derived from* (Jupp, 2006), and positivism and interpretivism, which explore *what constitutes valid knowledge* (Burrell and Morgan, 1979).

Empiricists assume that knowledge comes from the external world, as opposed to the idea that knowledge comes through logical deduction from *a priori* principle which is proclaimed by relativists. These two theories correspond to the dichotomy between inductive and deductive reasoning. Inductive reasoning involves making a number of observations and then proceeding to the formulation of a principle which will be of general application, whereas deductive reasoning proceeds by stating one or more propositions and then reasoning to a conclusion by applying established principles of logic (McLeod, 2005).<sup>127</sup>

Positivists claim that knowledge is valid only when positivistically derived, thereby producing objective and value-free knowledge with the researcher detached from the process. In contrast interpretivists see valid knowledge as soft knowledge being based on subjective interpretation of personal experience and insights (Piper, 2006).

Neither of the epistemological stances referred to can inform as to the stratified nature of reality unless there is a combination and co-construction of both objective and subjective approaches.

#### **4.3.2.3    *Research Strategy***

Blaikie (2007, 2009) argues that a research strategy (or logic of inquiry) is a starting point, a series of steps, and an end point for answering research questions, and is directly connected to a particular research paradigm. It represents a major logic of social enquiry and not types of research design or research methods.

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<sup>127</sup> For more details on logics of inquiry see Section 4.3.2.3 below.

The most commonly accepted dichotomy of research strategies is deduction and induction (Bryman and Bell, 2007; Denscombe, 2007; Saunders et al., 2007). Deduction is concerned with testing a hypothesis by “testing general ideas against specific instances or cases”, whilst induction aims to develop a theory by “generalizing from specific instances or cases” (Blaikie, 2007: 3).

Since objective and subjective epistemological approaches are combined and co-constructed in a critical realist paradigm, neither deduction nor induction, alone, are able to guide through the research process.

There are two other, less familiar, logics of inquiry which have been identified in academic literature as, namely, abduction and retroduction.

The process of abductive reasoning differs from deduction and induction. By allocating a central and very demanding role to the researcher, abductive reasoning is a creative and “dynamic process that unfolds over time” (Shum, 2001: 1671). Blaikie (2007: 3) argues that

[b]oth concepts were used by Charles Peirce <...>, although the basic ideas can be traced back to Aristotle. <...> Roy Bhaskar’s <...> [uses] ‘retroduction’ to refer to the use of reason and imagination to create a picture or model of the structures or mechanisms that are responsible for producing observed phenomena. The task is then to try to establish their existence. The logic involves moving back from observations to the creation of a possible explanation.

It has been argued that retroduction must be used when conducting research from a critical realist perspective (Blaikie, 2007, 2009; Creswell, 2007, 2009; Hallebone and Priest, 2009).

An overview of the four research strategies is presented in Table 4.1. Blaikie (2007: 3) explains the main differences between the four logics of inquiry as follows:

[o]ne way of distinguishing these logics of enquiry is to see *induction* and *deduction* as involving linear processes, the former being bottom up and the latter top down, and *retrodutction* and *abduction* as involving much more complex processes that can be thought of as a rising spiral involving numerous iterations.

**Table 4.1**

Four existing research strategies (logics of inquiry).

|                | <b>Inductive</b>  | <b>Deductive</b>   | <b>Retroductive</b>   | <b>Abductive</b>  |
|----------------|---|--|---|---|
| <b>Aim:</b>    | To establish descriptions of characteristics and patterns   | To test theories, to eliminate false ones and corroborate the survivor   | To discover underlying mechanisms to explain observed regularities  | To describe and understand social life in terms of social actors' meanings and motives  |
| <b>Start:</b>  | <ul style="list-style-type: none"> <li>• Collect data on characteristics and/or patterns</li> <li>• Produce descriptions</li> </ul> | <ul style="list-style-type: none"> <li>• Identify a regularity that needs to be explained</li> <li>• Construct a theory and deduce hypothesis</li> </ul> | <ul style="list-style-type: none"> <li>• Document and model a regularity and motives</li> <li>• Describe the context and possible mechanisms</li> </ul> | <ul style="list-style-type: none"> <li>• Discover everyday lay concepts, meanings and motives</li> <li>• Produce a technical account from lay accounts</li> </ul> |
| <b>Finish:</b> | Relate these to the research questions and explain further observations   | Test the hypotheses by matching them with data   | Establish which mechanism(s) provide(s) the best explanation in that context  | Develop a theory and elaborate it iteratively   |

*Source:* Adapted from Blaikie (2007: 7, 2009: 84).

#### 4.3.2.4 *Methodological Assumptions*

The terms ‘quantitative’ and ‘qualitative’ are traditionally used in categorising research methodology as part of a research design. Blaikie (2009: 199) argues that the key distinction between qualitative and quantitative is closely associated with the degree of involvement the researcher has with research participants, as well as the format of the research technique used and its administration.

Quantitative investigations use standardised measures, look for distinguishing characteristics and tend to measure ‘how much’ and ‘how often’. Qualitative investigations are associated with interpretative approaches, and allow for the issues to be explored in greater depth and detail.

Johnson and Onwuegbuzie (2004) claim that apart from the two dominant research methodologies, there is a third called mixed method research. Whilst qualitative research recognises rich, observational data and quantitative research recognises hard, generalisable data, mixed method research draws from the strengths and minimises the weaknesses of both, and improves the breadth and depth of information collected during the investigation.

The combination of the quantitative and qualitative components of mixed method research can vary. There are four main types of mixed method research approaches, namely triangulation, embeddedness, explanatory and exploratory. *Triangulation* means a combination when methods from both quantitative and qualitative methodologies are used at the same time. *Embeddedness* means a combination when one method, usually from qualitative methodology, supplements the other. *Explanatory* means a combination when the methods from quantitative methodology precede the qualitative, and *exploratory*—when they are used in a reverse order (Blaikie, 2009; Bryman, 2006; Castro, Kellison, Boyd, and Kopak, 2010; Patton, 2002).

A critical realist perspective, owing to the complex nature of reality, enables a variety of research methods to be employed and, as a result, is commonly associated with a mixed method research. Mixed method research combines both qualitative and quantitative methodologies (Creswell, 2007; Tashakkori and Teddlie, 1998). Blaikie (2009: 200)



argues that, “after years of neglect and controversy, the use of mixed method is gaining popularity”.

Table 4.2 shows how the critical realist paradigm and its underlying assumptions are applied to the present investigation of the DIS in Russia.

**Table 4.2**

Application of a critical realism paradigm to the present investigation.

|                     |   |   |
|---------------------|---|---|
| <b>Ontology</b>     | Stratified three-level reality as viewed by critical realism: <ul style="list-style-type: none"> <li>• <i>Real</i> – mechanisms, events and experiences (mechanisms and structures which generate actual events)</li> <li>• <i>Actual</i> – events and experiences (those aspects of reality that occur but may not necessarily be experienced)</li> <li>• <i>Empirical</i> – experiences (directly observable actions that have occurred)</li> </ul> | The reality of the DIS is viewed as follows: <ul style="list-style-type: none"> <li>• <i>Real</i> – Federal Law, and the institutional and regulatory environment as a result of its implementation</li> <li>• <i>Actual</i> – insured events and the compensation payouts, actual implementation of the reform</li> <li>• <i>Empirical</i> – events which are experienced by stakeholders, directly or indirectly (e.g. perceptions of the DIS)</li> </ul> |
| <b>Epistemology</b> | Co-construction and combination of researcher’s and participants’ views to create knowledge   | Inclusion of perceptions of the key stakeholders (retail depositors and bank staff), as well as the researcher’s own view (e.g. through observations and document analysis)   |
| <b>Strategy</b>     | Retroduction  | Retroduction  |
| <b>Methodology</b>  | Mixed method, where quantitative and qualitative methodologies are blended to create plausible explanation reflecting the three-level reality   | Combination of quantitative and qualitative techniques: <ul style="list-style-type: none"> <li>• Survey of retail depositors (quantitative);</li> <li>• Interviews with bank staff (qualitative);</li> <li>• Documents (both quantitative and qualitative);</li> <li>• Observations (both quantitative and qualitative)</li> </ul>  |

### 4.3.3 Research Approach

There are many different approaches to research design, which depend on the purpose of the investigation and the research questions. For the overview of main approaches, see Blaikie (2007, 2009), Bryman and Bell (2007), Denscombe (2007), Saunders et al. (2007).

Given that the present investigation aims to evaluate the Russian DIS, which is a public policy programme, and to assess whether the stated objectives have been achieved, the following section considers a set of approaches relevant to the evaluation of public policies.

#### 4.3.3.1 Approaches to Evaluation Research

Weiss (1972) demonstrates that ‘evaluation research’:

[i]n its research guise, <...> establishes clear and specific criteria for success. It collects evidence systematically from a representative sample of the units of concern. It usually translates the evidence into quantitative terms <...>, and compares it with the criteria that were set. It then draws conclusions about the effectiveness, the merit, the success, of the phenomenon under study. (Weiss, 1972: 1-2)

Rossi and Freeman (1993: 5) refer to evaluation research as “the systematic application of social research procedures for assessing the conceptualisation, design implementation, and utility of social intervention programs”.

Weiss (1972: 4) indicates that “[t]he purpose of *evaluation research* is to measure the effects of a program against the goals it set out to accomplish as a means of contributing to subsequent decision making about the program and improving future programming”,<sup>128</sup> where ‘to measure the effects’ refers to the research methodology, and ‘the effects’ emphasises the outcomes of the programme. This definition also stresses the use of explicit criteria for judging how well the programme is doing through a comparison of effects with goals. It is believed that “[t]he most important purpose of evaluation is not to prove but to improve” (Stufflebeam and Shinkfield, 2007: 331).<sup>129</sup>

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<sup>128</sup> Emphasis added.

<sup>129</sup> For an overview of history of the evaluation research and the main theories, see Shadish, Cook, and Leviton (1991).

The most widely discussed, and most agreed upon, taxonomy of research approaches which can be used to evaluate a public policy or a governmental programme includes experimental, quasi-experimental, and non-experimental approaches (Langbein, 2006; Posavac and Carey, 2007; Weiss, 1972).<sup>130</sup>

### Experimental Approach

Experiment<sup>131</sup> uses experimental and control groups where the former has been exposed to the programme and the latter has not. The units (people, organisations, cities) in each group are randomly chosen from the target population. The measurement of relevant variables usually takes place *before* the programme starts and *after* it ends. The programme is deemed a success if the experimental group has improved more than the control group.<sup>132</sup>

### Quasi-experimental Approach

Unlike experiments, which protect almost all possible threats to internal validity, quasi-experiments generally leave one or several of them uncontrolled, and are believed to have the advantage of being practical when conditions prevent true experimentation (Campbell and Stanley, 1966; Weiss, 1972).<sup>133</sup>

### Non-experimental Approach

Callahan et al. (1995: 13-14) state that, whilst experiments are “desirable when dealing with causal questions, looking at a narrow range of program variables, examining an

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<sup>130</sup> Weiss (1972) calls them ‘designs’. Campbell and Stanley (1966) describe preexperimental, experimental and quasi-experimental designs; and Callahan, Tomlinson, Hunsaker, Bland, and Moon (1995) provide an overview of literature on experimental and non-experimental approaches. For other approaches to evaluation research, see Yin (2003) who singles out quasi-experiment, grounded theory, historic research, and case study; Rafter (1984) who discusses the scientific, interactive and hybrid approaches to evaluation; and Bennett (2003) who reviews the approaches to educational evaluation.

<sup>131</sup> Also known as ‘true experimental design’ or ‘randomised control trial (RCT)’ (Contento, 2007: 372).

<sup>132</sup> For more information on experimental approaches, see Fischer (1995) Royse, Thyer, and Padgett (2010), and Weiss (1972).

<sup>133</sup> For more information on types of quasi-experiment see Langbein and Felbinger (2006) and Weiss (1972).

established program, and when contextual factors are unimportant”, a non-experimental approach is “preferred when conducting an exploratory set, dealing with a broad range of questions, or evaluating an emergent program”. It is further argued that “[t]hus it becomes important to select an evaluation design *according to the context* to be evaluated <...>”.<sup>134</sup>

Since the DIS in Russia is compulsory in nature, all banks and all retail depositors would be part of the experimental group and no control group could be created. Moreover, since this research commenced after the introduction of the DIS, the required *before*-measurement could not have taken place. Considering the limitations of the experimental and quasi-experimental approaches, it is submitted that the most appropriate approach for the present investigation is a non-experimental approach.

#### **4.3.3.2 Non-experimental Approach to Impact Evaluation of the DIS in Russia**

Before proceeding to a description of the methods of data collection and analysis used in the present investigation, this section presents a bespoke theoretical framework for the evaluation of the DIS in Russia.<sup>135</sup>

The impact evaluation model developed by Markless and Streatfield (2006) was originally designed to assess the impact of library services. This model permits an evaluation of the impact of a library service on its users, by tracing the development of the service from the date of setting objectives, success criteria and impact indicators through to the final point of delivery.

Although this model cannot be fully applied to the present research, it was adapted to fit the present investigation. The adapted model informed the process of building the theoretical framework for the evaluation of the DIS in Russia.

Markless and Streatfield (2006) claim that, if one starts at the top of the model (overall purpose) and goes through it step by step then, when reaching the point of data

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<sup>134</sup> Emphasis added.

<sup>135</sup> This theoretical framework can be adapted to a number of countries to evaluate the success of their DISs.

collection, the focus will still be on the aims and directions of the programme rather than on the programme itself.

The following three sections explore the application of Markless and Streatfield's model of impact evaluation to the present research.

## Objectives

Markless and Streatfield (2006: 62) emphasise that "the objectives drive the whole process of impact evaluation".

According to Article 1(1) of the Federal Law (see Appendix A), there are three objectives of the DIS:

1. To protect the rights and legal interests of depositors;
2. To strengthen public confidence in the banking system; and
3. To encourage household savings in the banking system.

Owen (2007: 256) suggests that, in an objectives-based impact evaluation

<...> the goals of a program are taken as a given, and decisions about the success of the program are based on the extent to which goals are achieved, according to some standard or level of achievement.

Therefore, since the aim of this investigation is to evaluate whether the DIS has met its stated objectives, the objectives presented above will be used as the starting point of the theoretical framework and will guide the development of success criteria and impact indicators.

## Success Criteria

Markless and Streatfield (2006: xvii) suggest focusing on the 'success criteria' of the programme before deciding on the impact indicators:

Success criteria should answer the questions: 'How can we tell if we are making a difference?' or 'How can we know that we are getting to where we want to be?' If you start off by identifying a series of criteria by which the service might be judged, you will end up with the list of specific qualitative statements <...>. These then form the basis for creating indicators, which are accessible and may be quantifiable.

The main questions guiding through the definition of the success criteria are “What do I want to be judged on in relation to each of my objectives?” and “What sort of changes am I looking for in the people that I want to reach with this objective?” (Markless and Streatfield, 2006).

The answers to these questions will be *success criteria*, which then can be turned into *impact indicators*. Impact is usually about having an effect on people (end-users or management), which create change.

The changes may be:

- (i) *Affection-based* (attitudes, perceptions, levels of confidence, satisfaction with the service);
- (ii) *Behaviour-based* (people do things differently, ask different types of questions, or become more critical or independent);
- (iii) *Knowledge-based* (knowing about key sources of relevant information, knowing what questions different databases can answer);
- (iv) *Competence-based* (people do things more effectively, improve search techniques, are able to find appropriate information).

According to Markless and Streatfield (2006), *success criteria* identify the sorts of changes that a governmental programme is trying to achieve by addressing the stated objectives. *Impact indicators* translate these broad areas into specific pieces of information, which will be used at a later stage to assess whether the objectives have been met.

Since the success criteria for this programme were not set or publicly announced by the Russian government, it was necessary to make certain assumptions as to what these criteria can mean for each of the stated objectives. In order to minimise possible misinterpretation of the objectives of the DIS in Russia, the defined success criteria, and the impact indicators, were verified by the DIA.

## Impact Indicators

Markless and Streatfield (2006: 65) state that

[i]ndicators can only give you clues about the difference you are making. It is extremely difficult to evaluate the actual impact of any service. Human beings are complex and are affected in many subtle ways by each experience. *Impact indicators are usually surrogates for impact: pieces of information that provide good clues, telling part of the story.* <...> [The] challenge is to design the strongest surrogates possible. For example, assume that your service is trying to encourage enthusiasm for books and reading. You may decide to monitor loan levels, but this is a weak surrogate for the impact that you are trying to record. Loans might increase for a number of reasons. A much stronger surrogate, and therefore a better indicator, is users' attitudes towards books – are they more positive as a result of your work?<sup>136</sup>

According to the model of Markless and Streatfield (2006), there are three types of indicator:

- Output performance indicators (e.g. volume of deposits in different banks, average amount per deposit etc.);
- Process performance indicators (changes in delivery indicators, e.g. whether the share of deposits in different banks changed and how, whether there were any special events organised);
- Impact indicators (evidence that shows that the stated objectives have been met, e.g. there is a transparent system in place to compensate depositors, who are aware of the DIS).

Delivery and process indicators are used by the DIA to evaluate the implementation of the DIS, and can be found in the overviews of the market and annual reports (see Chapter 3). This research evaluates the impact of the reform so the *impact indicators* will be used.

The impact indicators can be worded in three formats:

- as questions (e.g. “Do depositors know about their rights and how to protect them?”);
- as statements (e.g. “Depositors know about their rights and how to protect them”);
- as quantities (e.g. “50% of depositors know about their rights and how to protect them”).

Markless and Streatfield (2006) argue that, although there is a place for some numbers in an impact evaluation, numbers can only tell a limited amount, and it may be more

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<sup>136</sup> Emphasis added.

important to find out about the nature and magnitude of the changes that have occurred rather than just how many people were affected.

As noted by Markless and Streatfield (2006), impact indicators should inform about the specific pieces of information which will make it possible to judge whether the programme under evaluation is making a difference. Each impact indicator shows what information will be gathered in order to demonstrate whether the success criteria have been fulfilled.

Based on the information above, the following success criteria and impact indicators have been developed for the present investigation.

### **OBJECTIVE 1 “TO PROTECT THE RIGHTS AND LEGAL INTERESTS OF DEPOSITORS”**

Success criterion 1.1 There is a transparent system in place to compensate depositors in case of bank insolvency (*competence-based*).

Impact indicators:

- 1.1.1 Depositors get compensation within the time stated in the Federal Law.
- 1.1.2 Depositors are aware of the procedures to follow in order to claim deposits in excess of the coverage provided by the DIS.

Success criterion 1.2 Depositors know what is available in terms of deposit insurance (*knowledge-based*).

Impact indicators:

- 1.2.1 Depositors know about the parameters of, and the process of compensation under, the DIS.
- 1.2.2 Depositors consult the printed/online materials about the DIS.
- 1.2.3 Depositors’ questions about the DIS are less basic and more specific (focused).
- 1.2.4 Depositors have been made aware of the protection of their rights and legal interests.



Success criterion 1.3 There is an increased awareness of the DIS among the public (*knowledge-based*).

Impact indicators:

1.3.1 Banks use reference to the DIS to attract new depositors.

1.3.2 Banks use the parameters of the DIS to launch new savings accounts.

1.3.3 Banks have a dedicated area where they display information about the DIS in their branches.

1.3.4 Bank staff who work with depositors know about the parameters of the DIS.

1.3.5 Bank staff are confident in finding appropriate information to answer depositors' queries about the DIS.

1.3.6 Banks inform depositors about the DIS.

## **OBJECTIVE 2 “TO STRENGTHEN PUBLIC CONFIDENCE IN THE BANKING SYSTEM”**

Success criterion 2.1 There is an increased public confidence in the banking system (*affection-based*).

Impact indicators:

2.1.1 Depositors believe their money is safe with the bank where their account is held.

2.1.2 Depositors are confident in the banking system.

2.1.3 Depositors recommend savings accounts to their family and friends.

2.1.4 Depositors keep their savings accounts in times of economic uncertainty in the country.

## **OBJECTIVE 3 “TO ENCOURAGE HOUSEHOLD SAVINGS IN THE BANKING SYSTEM”**

Success criterion 3.1 There is an increase in household savings (*behaviour-based*).

Impact indicators:

3.1.1 The public opens more savings accounts and/or increases the value of existing savings accounts.

3.1.2 The public opens more savings accounts and/or increases the value of existing savings accounts as the changes in the parameters of the DIS are implemented.

3.1.3 Depositors save more through bank deposits.

Having defined the impact indicators, the next section will describe the chosen methods of data collection (questionnaire, interviews, observations and documents) in more detail.

## **4.4 Methods of Data Collection**

As discussed in Section 4.3.2.4 above, it is suggested that research with a critical realist perspective is best executed using mixed method, which allows for multiplicity of methods of data collection and data analysis, thus supporting the triangulation of data.

As discussed in Section 4.3.2.1 above, the present investigation looks at the DIS as a three-level stratified reality, with banks as one of the key stakeholders tasked with implementing the information provision aspect of the DIS.

The next section will present the rationale for choosing the banks where data collection took place, followed by descriptions of the techniques employed within the present investigation.

### **4.4.1 Participating Banks**

When considering the issue of sampling, it is recognised that there are two major groups of sampling techniques – probability sampling and non-probability sampling.<sup>137</sup>

Given that there are four types of bank in Russia,<sup>138</sup> a list of banks in Saint-Petersburg by type was drawn. Saint-Petersburg was chosen as a location for the data collection for two reasons. Firstly, it was the first Russian region to introduce a DI fund<sup>139</sup> and, secondly, it was possible to ensure the participation of a bank-agent for the first insured

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<sup>137</sup> Denscombe (2007) provides extensive descriptions of different types of probability and non-probability sampling techniques. For other discussions of advantages and disadvantages of different sampling techniques see Carter and Williamson (1996), Gomm (2004), and de Vaus (2001).

<sup>138</sup> See Chapter 3.

<sup>139</sup> See Chapter 3.

event in Saint-Petersburg, thus representing a critical incident and a very valuable resource for research into the DIS.

From this list, several banks were approached using a *purposive sampling* technique. They represented extreme cases of implementing the DIS for the reasons explained below.<sup>140</sup> It was envisaged that the data collected at these banks could potentially provide the most valuable results with regard to the operation of the DIS and its implementation. Denscombe (2007: 17) supports purposive sampling by stating that

[t]he advantage of purposive sampling is that it allows the researcher to home in on people or events which <...> will be critical for the research. Instead of going for the typical instances, a cross-section or a balanced choice, the research can concentrate on instance which will display a wide variety – possibly even a focus on extreme cases – to illuminate the research question at hand. In this sense it might not only be economical but might also be informative in a way that conventional probability sampling cannot be.

The following six banks representing extreme cases were chosen to take part in the research:

- two network banks (Bank A1 and Bank A2);
- one regional bank (Bank B1);
- one Moscow bank (Bank C1); and
- two banks with 100% foreign capital (Bank D1 and Bank D2).<sup>141</sup>

Bank A1 only entered the Saint-Petersburg banking sector in 2007, using the parameters of the DIS when offering their first savings account. Bank A2 has been on the market since 2004, but suffered during the global financial crisis, and was taken over by the governmental corporation.

Bank B1 has only been working with retail depositors since 2006, whilst Bank C1 has always been more orientated towards business depositors.

Bank D1 is a small bank with 100% foreign capital, whilst Bank D2 is a part of a global banking group, and has been actively expanding its retail services in Russia since 2002.

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<sup>140</sup> For different types of purposeful sampling, see Patton (2002).

<sup>141</sup> See Chapter 3 for more details on the classification used when choosing the banks.

Short descriptions of each bank, including their ranking against other Russian banks at the time of data collection, are presented below.<sup>142</sup>

#### **4.4.1.1 Bank A1**

Bank A1 is a network bank. It was founded in 1991 under its first name, but was renamed in 2006. Between 1999 and 2001, the major part of its client base was connected to the municipal authorities. In 2002 its emphasis shifted towards business depositors. In 2003, Bank A1 redirected its services towards retail banking. It joined the DIS in the first quarter of 2005.

At the time of data collection, net assets consisted largely of loans, and liabilities consisted mostly of retail deposits. In the ranking of Russian banks on 01 April 2009, Bank A1 was in the top 100 by net assets and in the top 30 by the amount of retail deposits.

At the time of data collection, Bank A1 had 11 regional offices and 226 branches across Russia, and served over 700,000 retail depositors.

The regional office in Saint-Petersburg was established in 2007 and, at the time of data collection, it had 11 branches, including one in the head office.

#### **4.4.1.2 Bank A2**

Bank A2 is a network bank. It was founded in 1991, with shareholders coming from the telecommunications industry of several post-USSR republics. It joined the DIS in the first quarter of 2005. Bank A2 is a large full-service bank, with headquarters in Moscow and with a widespread network of regional offices throughout Russia. At the time of data collection, it had 49 regional offices and 149 branches, and served over 150,000 retail depositors. Bank A2 has well established operations through the Russian Post Offices, and even has a line of financial products available solely at the Russian Post Offices (at

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<sup>142</sup> Details of banks' ratings are based on the information provided by RosBiznesKonsalting and can be accessed at <http://rating.rbc.ru/>.

the time of data collection, 119 out of 149 branches of Bank A2 were located in the Russian Post Offices).

At the time of data collection, 35% of the assets and more than 50% of the liabilities were associated with the transactions with telecommunications agencies. In September 2008, Bank A2 was hit by the financial crisis, and was subsequently taken over by the governmental corporation which now owns 99.4666% of the bank's shares.

Bank A2 did not appear in the ranking of Russian banks on 01 April 2009. However, based on the financial statements for the first quarter of 2009, Bank A2 would have been in the top 30 by net assets and in the top 100 by the volume of retail deposits.

The regional office in Saint-Petersburg was established in 2004 and, at the time of data collection, it had 3 branches, including one in the Head Office, and 10 mini-offices located at Russian Post Offices in Saint-Petersburg.

#### **4.4.1.3    *Bank B1***

Bank B1 is a regional bank. It was founded in 1995 in Siberia under its original name. In 2003, it was taken over and, in 2004, was renamed and moved to Saint-Petersburg. It joined the DIS in the fourth quarter of 2005. Since 2006, it has been focused on offering financial products to retail depositors.

Bank B1 has headquarters in Saint-Petersburg and its network in Russia is comprised of 1 regional office and 4 branches.

In the ranking of Russian banks on 01 April 2009, Bank B1 was in top 400 by both net assets and the volume of retail deposits.

At the time of data collection, Bank B1 had 5 branches in Saint-Petersburg, including one in the Head Office.

#### **4.4.1.4    *Bank C1***

Bank C1 is a Moscow bank. It was founded in 1994 as a limited liability partnership. In 1999, it was re-organised to a limited liability company, and, in 2009, it became a closed

joint-stock company. The bank's shareholders are Moscow companies and private individuals, including the current Chairman of the Board. It joined the DIS in the first quarter of 2005.

Bank C1 has its headquarters in Moscow, with a network of branches across several regions of Russia. At the time of data collection, it had 7 regional offices and 14 branches in Russia, and served over 4,000 retail depositors.

At the time of data collection, the bank's assets were comparatively evenly distributed in terms of different financial instruments. The liabilities constituted mainly of balances on accounts of business depositors (45% of liabilities), whilst retail deposits accounted for marginally less than 17% of liabilities. In the ranking of Russian banks on 01 April 2009, Bank C1 was in the top 300 by net assets and in the top 200 by the volume of retail deposits.

The regional office in Saint Petersburg was established in 2006 and, at the time of data collection, it had 2 branches, including one in the Head Office.

#### **4.4.1.5    *Bank D1***

Bank D1 is a bank with 100% foreign statutory capital. It was established in 1994 in Moscow under its original name. It was founded by three scientific-industrial plants with interests in ferrous metals. The bank did not show dynamic development and, in 2003, it had only 29 employees. In September 2004, it was bought by one of the financial corporations in northern Europe. Since then, it has been renamed twice. It joined the DIS in the third quarter of 2005. In October 2010, Bank D1 announced its withdrawal from the retail deposits market.

At the time of data collection, the network of Bank D1 in Russia was comprised of 2 regional offices, 1 representative office and 5 branches.

At the time of data collection, the majority of assets came from loans, and the majority of liabilities came from the parent company. In the ranking of Russian banks on 01 April 2009, Bank D1 was in the top 50 in relation to net assets, and in the top 300 in relation to the volume of retail deposits.

The regional office in Saint-Petersburg was established in 2006 and, at the time of data collection, it has 2 branches, including one in the Head Office.

#### **4.4.1.6 Bank D2**

Bank D2 is a bank with 100% foreign statutory capital and was registered in 1993. It is owned by one of the biggest financial corporations in the world. Since 2002, the bank has been actively expanding its retail services. It joined the DIS in the first quarter of 2005.

At the time of data collection, the network of Bank D2 in Russia was comprised of 7 regional offices, 2 representative offices and 45 branches, serving over 800,000 retail depositors.

At the time of data collection, the assets and liabilities were well diversified, and retail deposits formed 15% of the bank's liabilities.

In the ranking of Russian banks on 01 April 2009, Bank D2 was in the top 30 by net assets and in the top 50 by the amount of retail deposits.

The regional office in Saint-Petersburg was established in 1996 and, at the time of data collection, had 12 branches.

### **4.4.2 Data Collection Techniques**

There are a plethora of methods of data collection.<sup>143</sup> The following sections look at different techniques used within the present research to accommodate the mixed method research methodology.

Evaluation research does not have a specific method, and evaluation investigations rely on existing social science research methods for data collection and data analysis (Clarke and Dawson, 1999). The differences in the scope, size, duration, complexity and time span of goals of a public policy or a governmental programme, as well as the purpose and

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<sup>143</sup> For more detailed description of different methods of data collection, or techniques, see Blaikie (2007, 2009), Bryman and Bell (2007), Creswell (2009), de Vaus (2001), Denscombe (2007), Saunders (2007).

circumstances of the evaluation investigation, have important consequences for the choice of evaluation approaches and methods.

Evaluators of governmental programmes and public policies have expanded the range of methods, with research designs that use both quantitative and qualitative methods. As a result, evaluation research has often been linked to mixed method designs (Greene, Caracelli, and Graham, 1989; Hutton and McNeill, 1981; Patton, 2002; Rao and Woolcock, 2003; Royse et al., 2010).

Davidson (2005: 55) argues that no conclusion in evaluation research should be based on a single piece of evidence:

Sometimes you will need at least three or four independent angles on the same issue to make absolutely sure that you have a clear picture of what is happening. Where do you get these independent angles? From both of the following:

- Different types of data (both qualitative and quantitative)
- Multiple sources of information (e.g., existing documentation, observations, input from more than one group of stakeholders).

Patton (2002: 12) further suggests that

[i]n research as in art, there can be no single, ideal standard, beauty no less than “truth” is in the eye of the beholder, and the beholders of research and evaluation can include a plethora of stakeholders: scholars, policymakers, funders, program managers, critics, and the general public. Any given design inevitably reflects some imperfect interplay of recourses, capabilities, purposes, possibilities, creativity, and personal judgments by the people involved.

Since the present investigation adopts a mixed method, non-experimental impact evaluation approach, there are several methods that can be used for data collection.<sup>144</sup> De Vaus (2001: 80) suggests that the most important feature of the data collection method is that it should be able to produce “reliable, valid and meaningful data”. Owing to the three-level stratified reality of the Russian DIS and the existence of multiple

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<sup>144</sup> Blaikie (2010) suggests that the most commonly used quantitative techniques are self-administered questionnaires and structured interviews. On the contrary, the qualitative techniques are focused and in-depth interviews, as well as various types of observations. For an overview of data collection techniques commonly used in evaluation research, see Wholey, Hatry, and Newcomer(2004).



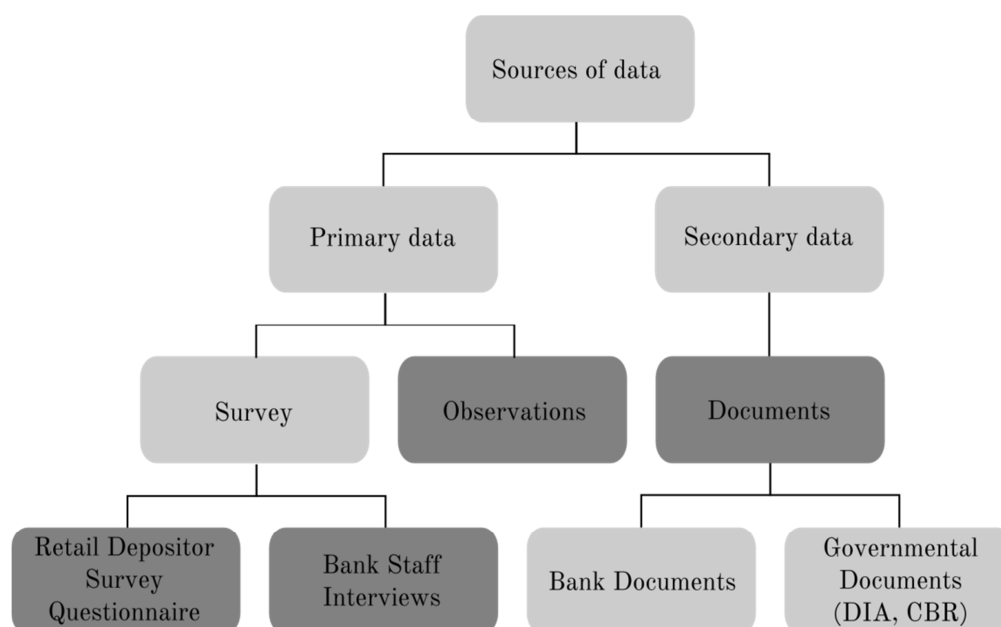
stakeholders, the following techniques (see Figure 4.12) were chosen to gather data from the six participating banks:

- retail depositor survey;
- bank staff interviews;
- in-branch observations; and
- documents.

Furthermore, statistics from the CBR and documents from the DIA, presented in Chapter 3, were collected to provide an independent account, which ensured that the perceptions of the DIS among the multiple stakeholders came to the fore.

**Figure 4.12**

Data collection techniques used in the present investigation



Each method of data collection employed in the present research is introduced and discussed in more detail below.

#### 4.4.2.1 Questionnaire

A questionnaire is a pre-formulated written set of questions that are devised by reference to the research purpose and research questions. The main strength of questionnaires is

that they can reach a widely dispersed sample at the same time, and at a relatively low cost, without any loss of time.

However, questionnaires have been criticised because response rates are often low. Even when questionnaires may not be able to achieve such a high response rate as interviews, their qualities can be strong enough to tip the balance in their favour (Kanuk and Berenson, 1975).

Within the present investigation, the questionnaire was designed to measure the level of knowledge and perceptions of the DIS among the retail depositors in six participating banks. Three bespoke versions of a questionnaire were designed to accommodate specific requests from two banks (see Chapter 5).<sup>145</sup>

The questionnaire contained 18 questions,<sup>146</sup> divided into five, clearly identified, sections.<sup>147</sup> These represented the demographical data, information on the use of banking products and services, and a set of questions in relation to each of the stated objectives of the DIS.

Given that the purpose of the present investigation was to evaluate the impact of the DIS and find to out whether the stated objectives had been achieved, the questionnaire was designed to gather information on the outcomes of the DIS reform in relation to retail depositors.

Owen (1999: 264) argues that

[o]utcomes are benefits for participants during or after their involvement with a program. Outcomes relate to [the change in] knowledge, skills, attitudes, values, behaviour, conditions or status. <...> Examples of outcomes include: increased knowledge of nutritional needs, changes in literacy levels, getting a job, having higher self-dependence.<sup>148</sup>

To gather information about possible changes in the knowledge, attitude and behaviour of retail depositors since the introduction of the DIS in Russia, the following issues were

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<sup>145</sup> Three versions of the questionnaire can be found in Appendices 7, 8, and 9.

<sup>146</sup> Questionnaire for Bank A2 contained 17 questions.

<sup>147</sup> Gillham (2000: 25) suggests that good layout with clustering and progression makes it easier for the respondent to fill in the questionnaire and makes “‘doting around’ less likely”.

<sup>148</sup> See also Chapter 2 for a discussion on two groups of outcomes of public policy, one – in relation to knowledge and awareness, and the other – in relation to attitude and behaviour.

considered when devising a set of questions in relation to each of the stated objectives of the DIS.

Fink (2003: 68) suggests that

[a]ttitudes are often contrasted with knowledge and behaviour. For example, how a person *feels* about gun control laws, what that person *knows* about gun control laws, and what he or she personally *does* about guns may or may not be related logically.<sup>149</sup>

Therefore, the questions in relation to Objective 1 were aimed at measuring the retail depositors' knowledge about the DIS, and the extent to which respondents felt protected by the Federal Law. Questions in relation to Objective 2 were aimed at measuring the attitude of retail depositors to the banking system, and questions in relation to Objective 3 were aimed at measuring the changes in the saving behaviour of respondents following the introduction of the DIS.

Most of the questions had explicit categories as response options.

Two scales were used in Question 7 and in Questions 14a-14e. The first scale used to assess the perceived level of knowledge about the DIS among the respondents, ranged from 1 to 5, where 1 meant "no knowledge at all" and 5 meant "excellent knowledge".<sup>150</sup> This scale mirrors the grading system used in Russian education, and thus was deemed familiar to the respondents and suitable for the self-assessment of their knowledge.

The second scale was used to provide an insight into the levels of agreement or disagreement with statements regarding the impact of the DIS on respondents' behaviour and other statements, utilised a Likert scale.

When a Likert scale is used, the item is presented as a declarative sentence, followed by response options that indicate varying degrees of agreement with or endorsement of the statements. <...> [E]ither an odd or even number of response options might accompany each statement. <...> A common practice is to include six possible responses: "strongly disagree", "moderately disagree", "mildly disagree", "mildly agree", "moderately agree", and "strongly agree". These form a continuum from strong disagreement to strong agreements. A neutral midpoint can also be added (DeVellis, 2012: 93).

A four-response Likert scale without a neutral midpoint was used in Questions 14a-14e. The wording of response options was taken from the Likert scale that was used by

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<sup>149</sup> Emphasis added.

<sup>150</sup> See Question 7 in Appendices 7 and 9, and Question 6 in Appendix 8.

VCIOM on several occasions in their opinion polls and, thus, was familiar to the respondents.<sup>151</sup>

### Translation of the Questionnaire

Russian retail depositors were surveyed by means of a questionnaire that was first designed in English, but later translated into Russian by the researcher and subsequently tested.<sup>152</sup>

### Administration of the Questionnaire

Hard copies of the questionnaire were distributed across all branches of the six participating banks in Saint-Petersburg. In branches, the questionnaires were offered to all retail depositors, and were filled in whilst waiting for a bank transaction to be completed. The responses were collected by each branch, and delivered to the Head Office for subsequent collection by the researcher.

Online administration of the questionnaire was not considered as an option, due to the necessity of establishing a link between the retail depositors and the banks they patronised.

### Response Rate

The aim was to obtain a minimum of 1,000 responses from retail depositors, as this number was considered to be representative of the population by VCIOM. The present investigation did not aim to achieve regional, gender or age representation.

Contacts were established with each participating bank, which allowed for the monitoring of response rates, and for encouraging the completion of additional numbers of questionnaires where necessary.

As a result, 942 questionnaires were completed by the retail depositors, and these were split between the six participating banks as follows: Bank A1 – 149 respondents, Bank

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<sup>151</sup> Considerations about the usage of these scales should be made when replicating the present investigation in other countries.

<sup>152</sup> For more details about the testing of the questionnaire, see Section 4.4.4 below.

A2 – 251 respondents, Bank B1 – 57 respondents, Bank C1 – 142 respondents, Bank D1 – 69 respondents, and Bank D2 – 270 respondents.

#### **4.4.2.2 Interviews**

The interview provides an opportunity for the researcher to probe deeply, to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate, inclusive accounts that are based on personal experience of participants (Burgess, 1994).

Within this investigation, the semi-structured interviews were conducted with bank clerks, heads of branch, marketing staff from the six participating banks, as well as two interviews with representatives of the judiciary. The interviews with bank staff were aimed at discovering bank practices with regard to the dissemination of information about the DIS, whilst the information obtained from the interviews with the judges shed additional light on the level of depositor protection in Russia.

The interview questions mirrored the list of impact indicators, presented in Table 4.3.<sup>153</sup>

#### **4.4.2.3 Observations**

Observations took place in 17 branches with the aim of understanding the practices in dealing with retail depositors in six participating banks in relation to the DIS. DIS-related documents were collected from each branch where observations took place, which helped with enriching the data set.

#### **4.4.2.4 Documents**

There were two types of document which were collected and analysed as part of the present investigation.

The secondary sources, namely the statistics from the CBR and documents from the DIA, were discussed in Chapter 3 as part of the literature review on past evaluations of the DIS in Russia.

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<sup>153</sup> For more details about the testing of the interview questions, see Section 4.4.4 below.

The primary sources for the purposes of this thesis were collected at six participating banks, in the form of marketing materials, with or without reference to the DIS, copies of bank account contracts and other materials. Similar materials were also collected from other Russian banks for comparative purposes.

To conclude, the main methods of data collection used in the present research were retail depositor survey questionnaires, semi-structured interviews with banks staff and representatives of the judiciary, in-branch observations and primary and secondary documents related to the DIS.

#### 4.4.3 Timing of Data Collection

A research investigation can be restricted to the present (cross-sectional), be extended over a period of time (longitudinal), or embedded in the past (historical).

In cross-sectional research, there is no time dimension, and data is collected only at one point in time, thus allowing the researcher to analyse the data without the need to wait for any follow-up stage(s). Longitudinal research measures change over time by collecting data concerning at least two time points, thus enabling the researcher to examine change and its direction. Historical research looks at events in the past and, thus, determines the data collection methods, being written records of some kind or other information from or about past events.<sup>154</sup>

De Vaus (2001) argues that a cross-sectional approach is widely used in social research, as it is not only more cost effective than longitudinal research, but also enables the researcher to obtain results relatively quickly. Another positive aspect of the cross-sectional approach is the fact that this research can minimise some of the ethical problems that can arise with a longitudinal design, since no tracking of participants is required and it is much easier to ensure anonymity.

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<sup>154</sup> For more information on these approaches individually, and possible combinations, see Blaikie(2009: 201-204).

The present investigation of the DIS in Russia, being the first research of its kind, employed a cross-sectional approach to data collection by gathering data at one point in time (spring 2009), with no plan to recall participants for a follow-up investigation.

#### 4.4.4 Pilot Study

Academics in several different areas of research agree that a pilot study<sup>155</sup> helps to refine the overall research design, sampling techniques data collection instruments (including their validity, reliability, ease of use) and to anticipate any issues with obtaining access to participants prior to the actual data collection (Ary et al., 2010; Blessing and Chakrabarti, 2009; Goodwin, 2010; Houser, 2008; Maxwell, 2005; Phelps, Sadoff, Warburton, and Ferrara, 2005; Zikmund and Babin, 2007).

Blessing and Chakrabarti (2009: 114) state that

[t]he aim of a pilot study is to try out the research approach to identify potential problems that may affect the quality and validity of the results. <...> trying out the research as planned <...> will reveal that several changes are required if the study is to be effective and efficient.

The first part of the pilot study was conducted in Saint-Petersburg in August-October 2007 during one-month internships at Bank Saint-Petersburg and at Bank VTB North-West.<sup>156</sup>

The second part of the pilot study, namely the testing of the updated questionnaire, was completed in December 2008 before the commencement of the actual investigation itself.

##### 4.4.4.1 *Pilot Retail Depositor Survey*

Since the questionnaire was originally designed using the English language and then translated into Russian, it was necessary to increase the reliability of the questionnaire by piloting its Russian language version.

The retail depositor survey questionnaire was piloted on two occasions.

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<sup>155</sup> Sometimes also referred to as a ‘pretest’ (Zikmund and Babin, 2007: 62) or a “trial run” (Ary, Cheser Jacobs, Razavieh, and Sorensen, 2010: 95).

<sup>156</sup> Currently known as VTB Bank.

Firstly, it was tested during the pilot survey<sup>157</sup> ( $n = 10$ ) at Bank Saint-Petersburg on 17 October 2007.

Ten retail depositors participated in the pilot survey (5 males and 5 females). The pilot survey showed that Russian retail depositors were uncomfortable with a face-to-face survey, so it was decided that using a questionnaire that could be completed in private provided a solution to this problem.

To increase the response rate, the questionnaires were to be distributed by bank clerks so they could be filled in by retail depositors whilst awaiting processing of their transactions.

Based on the results of the pilot survey, the following changes were made to the questionnaire:

- (i) Considering the questionnaire was to be filled in by retail depositors themselves, a short introduction was included to explain the purpose of the survey, and a closing statement thanking retail depositors for their participation and asking them to return the completed questionnaire to the bank clerk. The questionnaire was designed to be anonymous;
- (ii) Questions measuring the attitudes of retail depositors were introduced (with a four-response Likert scale without neutral midpoint<sup>158</sup>);
- (iii) Since most of the respondents would have opened their bank accounts after their banks became part of the DIS, any questions referring to pre-DIS bank accounts were removed;
- (iv) More questions were added to obtain a more accurate overview of depositors' knowledge of the DIS, and their perceptions towards the protection of their rights and legal interests as depositors, towards their confidence in the banking system and any changes in their saving behaviour.
- (v) The results of the pilot survey showed the need for closed questions, as retail depositors were reluctant to spend time writing the answers, and preferred closed questions where they could provide an answer by ticking the relevant box.

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<sup>157</sup> A copy of the original questionnaire and the analysis of responses can be found in Appendix 6.

<sup>158</sup> See Section 4.4.2.1 above for more information on Likert scales.



As a second part of the pilot survey, the updated version of the questionnaire was tested in December 2008 by sending it out by email to a group of Russian retail depositors and bank staff ( $n = 10$ ) who were known via the contacts with banks and via internships. Since the questionnaire was originally designed in English and then translated into Russian, the comments received from pre-testing made it possible to clarify the wording of newly added questions where the correct meaning had been lost in translation.

Since the Likert scale was introduced to questions measuring attitudes of retail depositors only in the updated version of the questionnaire, it was important to receive comments on the wording of the four-response Likert scale.

Comments on the updated version of the questionnaire were also received from staff at the six participating banks.

#### **4.4.4.2 *Pilot Bank Staff Interviews***

The interview questions for bank staff were tested through a face-to-face interview with one clerk at Bank VTB North-West in December 2008.

This exercise made it possible to rephrase some questions so as to clarify their meaning. Moreover, the pilot interview confirmed what type of information could be supplied by a bank clerk and what information can be supplied only by the head of branch or a marketing officer, thus reducing the number of questions in the clerks' interview and focusing it more on the dissemination of information on the DIS and the clerks' perceptions of retail depositors' knowledge about the DIS.

From the pilot interview, it became clear that the persons in charge of dissemination of information on the DIS were the heads of branch and the clerks.

Furthermore, it was evident that a bottom-up approach to data collection was required to avoid the 'sudden' improvement of information provision in the six participating banks. The order of data collection was agreed as follows: first, in-branch observations; second, retail depositor survey (both first and second stages could run in parallel); third, bank staff interviews; and fourth, gathering of documents (marketing materials and contracts

of bank accounts). In terms of the order of interviews, it was concluded that it was preferable to interview heads of branch on the same days as the clerks.

As a result, the present investigation used the retail depositor survey questionnaire, bank staff and judiciary interviews, in-branch observations and documents, because it was important “to use different methods or sources to corroborate each other so that <...> some form of methodological triangulation [is used]” (Mason, 1996: 25).

#### **4.4.5 Theoretical Framework of the Evaluation of the Russian DIS**

Further to the impact indicators designed in Section 4.3.3.2 and subsequent justification of the chosen techniques of data collection, Table 4.3 presents the overview of how each objective with its success criteria and impact indications were operationalised through the various methods of data collection.

Section 4.5 below will explore the methods of data analysis suitable for deriving valuable findings from the data collected using mixed method and for ensuring triangulation.

**Table 4.3**

How the impact indicators will be operationalised through the four methods of data collection.

| Objectives  | Success Criteria   | Impact Indicators  | Methods of Data Collection   |
|---|--|--|--|
| Objective 1 “To Protect the Rights and Legal Interests of Depositors” | Success criterion 1.1<br>There is a transparent system in place to compensate depositors in case of bank insolvency ( <i>competence-based</i> ). | 1.1.1 Depositors get compensation within the time stated in the Federal Law.   | <ul style="list-style-type: none"> <li>Documents (press releases) from the DIA in relation to all insured events</li> <li>Documents (letters) from the DIA in relation to two specific insured events</li> </ul>                   |
|   |  | 1.1.2 Depositors are aware of the procedures to follow in order to claim deposits in excess of the coverage provided by the DIS. | <ul style="list-style-type: none"> <li>Judge Interviews</li> <li>Documents (letters) from the DIA in relation to two specific insured events</li> </ul>  |
|   | Success criterion 1.2<br>Depositors know what is available in terms of deposit insurance ( <i>knowledge-based</i> ).                             | 1.2.1 Depositors know about the parameters of, and the process of compensation under, the DIS.                                   | <ul style="list-style-type: none"> <li>Retail Depositor Survey Questions 7, 8 and 9</li> <li>Clerk Interview Question 13</li> <li>Head of Branch Interview Question 15</li> <li>Marketing Officer Interview Question 15</li> </ul> |
|   |  | 1.2.2 Depositors consult the printed/online materials about the DIS.   | <ul style="list-style-type: none"> <li>Retail Depositor Survey Question 14b</li> </ul>   |
|   |  | 1.2.3 Depositors’ questions about the DIS are less basic and more specific (focused).  | <ul style="list-style-type: none"> <li>Clerk Interview Questions 9 and 14</li> <li>Head of Branch Interview Questions 16 and 17</li> <li>Marketing Officer Interview Question 16</li> </ul>  |
|   |  | 1.2.4 Depositors have been made aware of the protection of their rights and legal interests.                                     | <ul style="list-style-type: none"> <li>Retail Depositor Survey Question 11</li> <li>Head of Branch Interview Question 18</li> <li>Marketing Officer Interview Question 17</li> </ul>   |
|   | Success criterion 1.3<br>There is an increased awareness of the DIS among the public ( <i>knowledge-based</i> ).                                 | 1.3.1 Banks use reference to the DIS to attract new depositors.  | <ul style="list-style-type: none"> <li>Head of Branch Interview Questions 5, 6 and 7</li> <li>Marketing Officer Interview Questions 5, 6 and 7</li> </ul>  |
|   |  | 1.3.2 Banks use the parameters of the DIS to launch new savings accounts.  | <ul style="list-style-type: none"> <li>Documents (marketing materials) from the six participating banks and their peers</li> </ul>   |
|   |  | 1.3.3 Banks have a dedicated area where they display information about the DIS in their branches.                                | <ul style="list-style-type: none"> <li>In-branch observations at the six participating banks</li> </ul>  |
|   |  | 1.3.4 Bank staff who work with depositors know   | <ul style="list-style-type: none"> <li>Clerk Interview Questions 4, 5, 5a, 10b and 12</li> </ul>   |

| Objectives  | Success Criteria   | Impact Indicators  | Methods of Data Collection   |
|---|--|--|--|
|   |  | about the parameters of the DIS.   | <ul style="list-style-type: none"> <li>Head of Branch Interview Questions 4, 4a and 9b</li> <li>Marketing Officer Interview Questions 4, 4a and 9b</li> </ul>  |
|   |  | 1.3.5 Bank staff are confident in finding appropriate information to answer depositors' queries about the DIS. | <ul style="list-style-type: none"> <li>Clerk Interview Question 15</li> <li>Head of Branch Interview Questions 12 and 13</li> <li>Marketing Officer Interview Questions 12 and 13</li> </ul>   |
|   |  | 1.3.6 Banks inform depositors about the DIS.   | <ul style="list-style-type: none"> <li>Retail Depositor Survey Questions 4, 6, 14a and 16</li> <li>Clerk Interview Questions 7, 10, 10a and 11</li> <li>Head of Branch Interview Questions 9, 10 and 14</li> <li>Marketing Officer Interview Questions 9, 10 and 14</li> <li>In-branch observations at the six participating banks</li> <li>Documents (marketing materials and bank account contracts) from the six participating banks and their peers</li> </ul> |
| Objective 2 “To Strengthen Public Confidence in the Banking System” | Success criterion 2.1<br>There is an increased public confidence in the banking system ( <i>affection-based</i> ). | 2.1.1 Depositors believe their money is safe with the bank where their account is held.                        | <ul style="list-style-type: none"> <li>Retail Depositor Survey Question 5</li> </ul>   |
|   |  | 2.1.2 Depositors are confident in the banking system.  | <ul style="list-style-type: none"> <li>Retail Depositor Survey Questions 12, 14d and 18</li> <li>Head of Branch Interview Question 23</li> <li>Marketing Officer Interview Question 22</li> </ul>  |
|   |  | 2.1.3 Depositors recommend savings accounts to their family and friends.                                       | <ul style="list-style-type: none"> <li>Retail Depositor Survey Questions 3 and 14e</li> </ul>  |
|   |  | 2.1.4 Depositors keep their savings accounts in times of economic uncertainty in the country.                  | <ul style="list-style-type: none"> <li>Clerk Interview Question 16</li> <li>Head of Branch Interview Question 24</li> <li>Marketing Officer Interview Question 23</li> <li>Documents (statistics) from the CBR</li> </ul>  |
| Objective 3 “To Encourage Household Savings in the Banking System”  | Success criterion 3.1<br>There is an increase in household savings ( <i>behaviour-based</i> ).                     | 3.1.1 The public opens more savings accounts and/or increases the value of existing savings accounts.          | <ul style="list-style-type: none"> <li>Head of Branch Interview Question 8</li> <li>Marketing Officer Interview Question 8</li> <li>Reports from the DIA</li> <li>Documents (statistics) from the CBR and the six participating banks</li> </ul>   |
|   |  | 3.1.2 The public opens more savings accounts and/or increases the value of existing savings                    | <ul style="list-style-type: none"> <li>Retail Depositor Survey Question 17</li> <li>Clerk Interview Question 16</li> </ul>   |

| Objectives | Success Criteria | Impact Indicators   | Methods of Data Collection  |
|------------|------------------|---|---|
|            |                  | accounts as the changes in the parameters of the DIS are implemented. | <ul style="list-style-type: none"> <li>• Head of Branch Interview Question 24</li> <li>• Marketing Officer Interview Question 23</li> </ul>   |
|            |                  | 3.1.3 Depositors' save more through bank deposits.                    | <ul style="list-style-type: none"> <li>• Retail Depositor Survey Questions 13 and 14c</li> <li>• Head of Branch Interview Question 22</li> <li>• Marketing Officer Interview Question 21</li> </ul> |

## 4.5 Methods of Data Analysis

Mixed method is a combination of both quantitative and qualitative techniques of data collection and data analysis. This section discusses the data analysis approaches which were used in the present investigation.

### 4.5.1 Analysis of Quantitative Data

When conducting statistical quantitative data analysis, there is usually a choice of either a parametric test or a non-parametric test. The main difference between the two types is as follows.

Hicks (1990: 77) suggests that “[b]asically, parametric tests are much more sensitive tools of analysis than non-parametric tests, in that if there is any support for your hypothesis in the data, the parametric test is more likely to pick it up.”

However, parametric tests can only be used if four conditions or parameters can be met:

- (i) the data must be on an interval/ratio scale;<sup>159</sup>
- (ii) the data should be approximately normally distributed;
- (iii) the subjects should be randomly selected from the population from which they are derived; and
- (iv) variation in the results from each group or condition should be more or less similar.

Obtaining access to the whole population was not the aim of the present research, thus limiting the possibility of using parametric tests for statistical analysis. Moreover, not every question had a scaled range of response options.

The majority of responses were treated as categorical and, hence, were examined by means of analyses of cross-tabulated findings.

Additionally, two major non-parametric statistical tests were used for analysis of the quantitative data in disaggregate form. In order to assess the existence of any association

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<sup>159</sup> According to Hicks (1990), this condition cannot be waived, whilst the other three conditions allow flexibility. See also Pallant (2005).

between the bank as an independent variable and some of the dependent variables, the two statistical tests – the *Kruskal-Wallis test* and the *Chi-squared test* – were chosen. The former was used on Likert-type items, whilst the latter, on other ranked items. These statistical tests were chosen because most of the dependent variables represent data which is measured on nominal (categorical) and ordinal (ranked) scales. Since the sample does not contain the continuous data, other statistical tests allowing exploration of association between variables (e.g. correlation) could not be used.

#### 4.5.1.1 *Chi-squared Test*

The Chi-squared test belongs to a group of non-parametric techniques, which, according to Pallant (2005), are ideal for use on nominal and ordinal data, as these techniques have less stringent requirements when compared to the parametric tests, used on continuous data.

The Chi-squared test used for determining the association between the variables is the so-called ‘Chi-square test for independence’ (Pallant, 2005: 287).<sup>160</sup> The Chi-squared test used in this thesis determines the existence of a relationship between two categorical variables. As Pallant (2005: 287) outlines:

[i]t compares the frequency of cases found in the various categories of one variable across the different categories of another variable. For example, Is the proportion of smokers to non-smokers the same for males and females? Or, expressed another way: Are males more likely than females to be smokers?

For the purposes of the Chi-squared test, all cells should have expected count of greater than 1, and at least 80% of cells should have expected counts of 5 or more (Freeman and Walters, 2010; Stewart, 2010; Yates, Moore, and McCabe, 1999).<sup>161</sup>

The test computed in SPSS produces different pieces of information. The most important one is the Pearson Chi-Square value, which should be looked at in conjunction with an associated significance level, labelled ‘Asymp. Sig. (2-sided)’, which needs to be 0.05 or

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<sup>160</sup> The other test ‘Chi-square for goodness of fit’ is not used in this thesis.

<sup>161</sup> Pallant (2005) suggests a more strict criterion: the lowest expected frequency in *any* cell should not be less than 5. There is another requirement for the  $2 \times 2$  tables (variables with 2 categories each); however,  $2 \times 2$  tables are not used in this thesis.

smaller to be significant. If the Sig. value is 0.05 or smaller, it means the result of the Chi-squared test is indeed significant and, thus, the hypothesis can be considered as proved.

#### **4.5.1.2    *Kruskal-Wallis Test***

The Kruskal-Wallis test is another test in the group of non-parametric techniques and is an alternative to a one-way between-groups analysis of variance (parametric test).

This test permits a comparison of the scores on some continuous variable for three or more groups. The way this test works is as follows: “scores are converted to ranks and the mean rank for each group is compared” (Pallant, 2007: 226).

In this thesis, these groups are banks so, in total, there will be 6 groups for the purposes of the Kruskal-Wallis test.

There are no additional assumptions for this test. The general assumptions for all non-parametric tests apply: random sample and independent observation (i.e. each person/case can be counted only once).

The test computed in SPSS produces different pieces of information. The output of the test gives a ranking of groups (banks, in this case). Depending on the question, the bank with the highest ranking will be considered to be the best and the lowest ranking, the worst.

#### **4.5.1.3    *Definition of $\psi$ Value***

Whilst the output of a Kruskal-Wallis test provides a ranking of groups according to the mean rank value, the Chi-square test can only confirm or disprove the existence of an association between two categorical variables. In order to allow for the ranking (as in the output of Kruskal-Wallis test) to take place when analysing categorical data using Chi-squared test, it is important to execute further analysis of the cross-tabulated output. This involves calculating  $\psi$  value by using two bespoke formulae.



$\psi$  value is a measure of the retail depositors' performance in the bank they patronise represented as a percentage. Each response option (whether positive or negative) in the Chi-squared text cross-tabulated output computed by SPSS indicates the extent to which the retail depositors' performance in a specific bank (observed count) differs from the expected count calculated by the Chi-squared test.

$\psi$  value can be calculated using two formulae:  $\psi_p$  – for positive response options;  $\psi_n$  – for negative response options.

The formula for the positive response option (see Equation 4.1) looks at the performance of a bank's retail depositors, firstly by calculating a ratio between the expected count and the observed count for each positive response option and, secondly, by subtracting 100, where 100 is a normalising factor. If the result is positive, it means the performance of the bank's retail depositors is better than expected. If the result is negative, it means the bank's retail depositors are underperforming in this response option.

#### **Equation 4.1**

Formula for calculating  $\psi_p$  value

$$\psi_p = \frac{obs \times 100}{exp} - 100$$

where

*obs* is the observed count, as computed by the Chi-squared test, and

*exp* is the expected count, as computed by the Chi-squared test.

$\psi_p$  values range from -100 (the minimum value; appears when no respondents chose the positive answer option) to the maximum value calculated by using the formula presented in Equation 4.2.

#### **Equation 4.2**

Formula for calculating  $\psi_{p\ max}$  value

$$\psi_{p\ max} = \frac{100 \times T_o}{T_c} - 100$$

where

$To$  is the total number of respondents answered the question, and

$Tc$  is the total number of respondents who chose the positive response option.

The best performance for retail depositors of a certain bank in a positive response option would be having all respondents choosing the positive response option, and having no respondents choosing the negative response option. If such a situation occurs in reality, the retail depositors of such a bank would have achieved the maximum performance possible.

The formula for the negative answer option (Equation 4.3) calculates the same ratio between the expected count (taken as 100%) and the observed count as in the case of the formula for the positive response option above. However, as a second step, it subtracts the ratio from 100 to account for the ‘negativity’ of the response option because, in this instance, the higher the observed count, the worse the performance of bank’s retail depositors is.

#### Equation 4.3

Formula for calculating  $\psi_n$  value

$$\psi_n = 100 - \frac{obs \times 100}{exp}$$

where

$obs$  is the observed count as computed by the Chi-squared test, and

$exp$  is the expected count as computed by the Chi-squared test.

$\psi_n$  values range from 100 (the maximum value; appears when no respondents in the bank chose the negative response option) to the minimum value calculated by using the formula presented in Equation 4.4.

#### Equation 4.4

Formula for calculating  $\psi_{n \max}$  value

$$\psi_{n \min} = 100 - \frac{100 \times To}{Tc}$$

where

To is the total number of respondents answered the question, and

Tc is the total number of respondents who chose the negative response option.

The best performance for retail depositors of a certain bank in a negative response option would be having no respondents choosing the negative response option, and having all respondents choosing the positive response option. If such a situation occurs in reality, the retail depositors of such a bank would have achieved the maximum performance possible.

These two formulae take into account the fact that the expected count, computed by the Chi-squared test, is based on the total number of respondents from each bank, and the total number of responses for each response option. This means that the expected count for a given response option already contains reference to the total number of respondents for each given bank and, thus, can be used as a starting point of comparison between expected and observed counts to determine whether retail depositors of a given bank performed better or worse than expected in this given answer option.

When calculated, the  $\psi$  values allow for the ranking of banks according to their retail depositors' performance in one response option as well as in the question overall.

The following example illustrates how the  $\psi$  values are calculated.

Imagine there was an obligation on the retail depositors' side to check, annually, whether their bank keeps their up to date contact details, so as to allow DI compensation payments to be made on time. Then it would be possible to ask the depositors of different banks, "Have you checked with your bank this year that they hold up to date contact details for you?" Customers would then have to answer "Yes" or "No". In the example below the data relates to the retail depositors of three banks, Banks X, Y and Z.

Since such an enquiry is an obligation on the retail depositors' side, it is expected that every depositor would have fulfilled this obligation by actually checking and, if necessary, updating, their contact details at their bank and, thus, all respondents would choose "Yes" as their answer (the positive response option in this instance). If any of the three

banks had an observed count higher than the expected count for this response option, it would have meant their retail depositors were performing better than expected. However, if the number of actual answers was lower than the expected count, it would have meant the performance of retail depositors from these banks was worse than expected. In this manner, for the negative response option (“No” in this example), the opposite would apply.

Table 4.4 below illustrates this example with imaginary numbers.

**Table 4.4**

Sample calculations of  $\phi_p$  and  $\phi_n$  values

| Bank   | Count          | Yes   | No   | Total | $\phi_p$ | $\phi_n$ |
|--------|----------------|-------|------|-------|----------|----------|
| Bank X | Observed count | 155   | 45   | 200   | 7.3      | 19       |
|        | Expected count | 144.4 | 55.6 | 200   |          |          |
| Bank Y | Observed count | 60    | 90   | 150   | -44.6    | -116     |
|        | Expected count | 108.3 | 41.7 | 150   |          |          |
| Bank Z | Observed count | 85    | 15   | 100   | 17.7     | 46       |
|        | Expected count | 72.2  | 27.8 | 100   |          |          |
|        | Total          | 325   | 125  | 450   |          |          |

To rank the three banks in this example according to the performance of their retail depositors in each answer option, firstly it is necessary to calculate the  $\phi_p$ , i.e.  $\phi$  for the positive response option (“Yes” in this example) by applying the formula presented in Equation 4.1:

For Bank X,  $\phi_p = (155 \times 100 / 144.4) - 100 = 7.3$

For Bank Y,  $\phi_p = (60 \times 100 / 108.3) - 100 = -44.6$

For Bank Z,  $\phi_p = (85 \times 100 / 72.2) - 100 = 17.7$

As the expected count used to calculate the  $\phi_p$  already reflects the total number of respondents surveyed in each bank, the  $\phi_p$  values are not absolute values, but rather fractions which, in turn, allows for the ranking of the three banks in this example according to the performance of their retail depositors. So the ranking of the three banks for the response option “Yes” is as follows: 1st – Bank Z, 2nd – Bank X, 3rd – Bank Y.

The same procedure should be followed in order to rank the bank in accordance with the performance of their retail depositors in the negative response option. In this instance the formula presented in Equation 4.3 will be used as follows:

$$\text{For Bank X, } \psi_n = 100 - (45 \times 100 / 55.6) = 19$$

$$\text{For Bank Y, } \psi_n = 100 - (90 \times 100 / 41.7) = -116$$

$$\text{For Bank Z, } \psi_n = 100 - (15 \times 100 / 27.8) = 46$$

Considering the  $\psi_n$  values above, the ranking of the three banks according to the performance of their retail depositors in the negative response option is as follows: 1st – Bank Z, 2nd – Bank X, 3rd – Bank Y.

Taking into account both rankings it is possible to conclude that the retail depositors from Bank Z have the best performance across both answer options, while the retail depositors from Bank Y have the worst performance.

#### 4.5.1.4 *Diagrams*

In order to demonstrate the results of quantitative data analysis in disaggregate form in Chapter 5, two types of diagram are used – boxplots and bar charts.

##### Boxplots

A boxplot, or a box-and-whisker diagram, provides a graphical non-parametric technique for comparing distributions between several groups or sets of numerical data.

The data is presented with the help of the following points: the smallest observation (also known as ‘sample minimum’), lower quartile, median, upper quartile and largest observation (also known as ‘sample maximum’).

Lower quartile and upper quartile form an interquartile range, which amounts to the middle 50% of the observations in a given distribution, with 25% on either side of the median inside the box. It is possible to determine the symmetry of the middle 50% of the observations by looking at the position of the median line within the interquartile range (Ott and Longnecker, 2010).

The spacings between the different parts of the boxplot help indicate the degree of dispersion and skewness in the data. A boxplot may also indicate which observations, if any, are outliers. These can be either the extreme outliers, usually depicted with the ‘\*’ sign, or mild outliers, usually depicted with the ‘•’ sign (Pallant, 2005).

## **Bar Charts**

A bar chart, being one of the most common formats used to display quantitative data, provides a graphical representation of categorical data.

Kosslyn (2006: 46) states that “[b]ar graphs have the standard L-shaped framework and use bars as content elements; the heights of the bars specific discrete amounts”.

The variation of bar chart used in Chapter 5 is a so-called ‘divide-bar graph’ which conveys a much more accurate impressions of parts of a whole (Kosslyn, 2006: 44). For the purpose of this thesis, the bars represent each bank and the segments within the bars represent different response options.

### **4.5.2 Analysis of Qualitative Data**

There are many techniques used for qualitative data analysis. These include ethnography, grounded theory, thematic analysis, discourse analysis, content analysis, narrative methods and document analysis, to name but a few.<sup>162</sup>

In qualitative data analysis, researchers are translators of the participants’ words and actions. However, “analysis is never quite finished, no matter how long a researcher seems to work on a study” (Corbin and Strauss, 2008: 49).

Denzin (1998: 322) states that

[i]nterpretation is a productive process that sets forth the multiple meaning of an event, object, experience, or text., interpretation is transformation, it illuminates, through lights on experience, it brings out, and refines <...> the meanings that can be sifted from a text, an object, or slice of experiences.

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<sup>162</sup> For descriptions of different techniques, see Bryman and Bell(2007), Corbin and Strauss (2008), Davies (2007), Denscombe (2007), Glaser and Strauss (1967), Saunders et al. (2007), and Silverman (2010).

For the purposes of the present investigation, a combination of content and documentary analyses was used, which involved the interpretation of qualitative data.

#### **4.5.2.1    *Content Analysis***

Davies (2007: 31) states that content analysis is a study of published or otherwise recorded material and “it requires high level of theoretical understanding”. Since each question in the interview schedules corresponded to a particular impact indicator in the theoretical framework of the present investigation, the analysis of interviews with bank staff and representatives of the judiciary was of a modest nature. It was used primarily to make sense of the answers given to the open-ended questions, whilst the frequencies (a more quantitative approach to content analysis) were noted for each closed-ended question across all interviewees. No computer software was used to aid the analysis.

The actual analysis of interviews using the content analysis technique and the findings are presented in Chapter 6.

#### **4.5.2.2    *Document Analysis***

In addition to more traditional qualitative sources, such as interviews and observations, the use of documentary sources has been popularised in literature as part of qualitative data collection and analysis (Cohen, Manion, and Morrison, 2007; Hodson, 1999).

Altheide (1996: 2) defines the document analysis as an

<...> integrated and conceptually informed method, procedure, and technique for locating, identifying, retrieving, and analyzing documents for their relevant, significance, and meaning.

Altheide (1996: 24) further states that “[t]he research problem helps inform the appropriate unit of analysis, or which portion or segment of relevant documents will actually be investigated”.

Within the present investigation, the documentary sources consisted of marketing materials collected at the six participating banks and other Russian banks, as well as copies of contracts of bank accounts. Other documents included letters from the DIA to

two retail depositors in relation to past insured events. These documentary sources provided an insight into the way details of the DIS are communicated to retail depositors by individual banks in informal and formal documents. Useful comparisons were drawn across the documents collected, and certain irregularities were identified.

The actual analysis of documents using document analysis and the findings are presented in Chapter 7.

## **4.6 Limitations of the Chosen Methodology**

The following limitations of the chosen methodology have been identified.

Undertaking research into the Russian DIS under a critical realist paradigm at PhD level provided a snapshot of the implementation of the Federal Law and the establishment of the institutional and regulatory environment, and the perceptions of the multiple stakeholder of the success of this public policy at one point in time. Therefore, the present investigation is more exploratory in nature.

From research approach considerations, the present investigation proposed and tested a set of success criteria and impact indicators for an evaluation of a DIS. These were devised using the Federal Law introduced in 2003 in Russia, and it is currently unclear whether any future changes to the stated objectives of the DIS will have an effect on the success criteria devised and the impact indicators tested within the present investigation.

Further limitations in the sample may be identified. The choice of the extreme cases of six banks in Saint-Petersburg and their client base of retail depositors has influenced the results of the present investigation. From the timing and location consideration of data collection, this research was devised as a cross-sectional investigation, with the data collected at one point in time, in one country and in one region of the country. The choice of location of the data collection might have had an impact on the results, because of the prior history of DI in Saint-Petersburg. Furthermore, considering the data was collected in spring 2009, following the events caused by the global financial crisis (it hit Russia hardest in October 2008), the timing of the data collection might also have impacted on the results of this research.



A further limitation is recognised in relation to the translation of the questionnaire. Given the linguistic differences between the English and Russian languages, it required considerable skill to design a Russian version of the questionnaire which mirrored the one in English.

Though the demographic data was collected as part of the retail depositor survey questionnaire, it was decided not to test the data against the respondents' age, deposited amount and the location of the branch due to the sheer amount of data, and the complexity of the analysis undertaken and presented in Chapter 5. Should these have been tested, it might have given an additional insight into the perceptions across a varied and diverse sample.

Finally, the role of qualitative data analysis has been shaped by the research question and theoretical framework, and, as a result, this did not allow for a more nuanced interpretation of the qualitative data. However, this investigation did not aim to attain much more in-depth understanding of bank staff perceptions and insights in relation the objectives of the DIS.

## **4.7 Ethical Implications of the Chosen Methodology**

It is well established that, regardless of the research design, social research should conform to four broad ethical principles (de Vaus, 2001; Homan, 1991; Kimmel, 1988). These include voluntary participation, informed consent, no harm to participants, and anonymity and confidentiality.

The present research complies with all of the above-mentioned ethical principles, and was approved by De Montfort University Faculty of Business and Law Human Research Ethics Committee prior to the commencement of data collection. Data collected and processed in this research study was handled in compliance with the Data Protection Act 1998.

In terms of *voluntary participation*, people should not be required, or led to believe that they are required, to participate in a study, and they should be informed that they can withdraw from the study at any point.

The retail depositor survey questionnaire clearly stated that the research was voluntary, and each retail depositor had a chance to refuse to participate at the time of being offered to complete the questionnaire. Since the present investigation included a one-off survey of retail depositors, it was not required that respondents participate in further stages of the research and, therefore, the right to withdraw from the study at any point was not applicable. Banks were informed that their participation was voluntary, and that they were free to withdraw their participation at any time.

De Vaus (2001) argues that voluntary participation can threaten the external validity, since certain types of people are more likely than others to decline to participate in studies, thus producing biased samples. In order to overcome possible dropouts, the participants were encouraged to participate by appealing to their goodwill. The introductory statement on each questionnaire contained a reference to the benefits of the present investigation in relation to the improvement of the Russian DIS and the improvement in the provision of information on the DIS. In terms of the six participating banks, their participation was underpinned by an agreement to provide reports based on the outcomes of the present investigation and recommendations for changes in the practices of dissemination of information about the DIS.

In relation to *informed consent*, participants were informed about the purpose of the research and its basic procedures, the identity of the researcher and the fact that this is a non-commercial research conducted for the purposes of obtaining a degree of Doctor of Philosophy at De Montfort University, UK. The banks were provided with the description of how and why they were selected, and with details of how the data collected through the retail depositor survey and interviews with bank staff were to be analysed and used.

The present research study did not put any of the respondents in danger, so there was no any real *harm to the participants*.

One of the most important considerations in relation to ethical principles was the provision of *anonymity and confidentiality*. It was essential that the way the data was collected could provide for, and guarantee, the confidentiality of respondents. De Vaus (2001: 87) claims that guaranteeing confidentiality is important for methodological and ethical reasons as “if participants are confident that their responses are truly confidential

(or even better if they are anonymous), we can expect that people are more likely to participate in the study and provide frank and honest answers”.

In order to protect the respondents’ identities, data were stored in a lockable cabinet, accessed only by the researcher and the first supervisor, and all identifying information was removed. The questionnaire did not collect any information about the respondent to avoid possible identification, and clearly stated that the questionnaire was anonymous. The interviewees were prohibited from stating their names and the names of their banks for the record. All such references were removed from the data. The six participating banks were given a code dependent on the type of the bank and no information that identified banks directly or indirectly was or would be made available in any final written materials of the investigation.

## **4.8 Summary**

Using a critical realist perspective, the present investigation adopted a cross-sectional, mixed method research design. To facilitate the analysis and interpretation of the data, a bespoke theoretical framework for the impact evaluation of a DIS was devised, which included a set of success criteria and impact indicators. This theoretical framework was operationalised through four main methods of data collection, namely retail depositor survey questionnaires, semi-structured interviews with bank staff and representatives of the judiciary, in-branch observations, and primary and secondary documents related to the DIS.

The data collection took place in Saint-Petersburg at the six banks chosen with the help of purposive sampling. In total, 942 respondents took part in the retail deposit survey, 32 interviews and 17 in-branch observations were conducted, and numerous documents were collected from the six participating banks and other Russian banks.

Several statistical techniques were used to analyse the data from the retail depositor survey, including a bespoke formula, which enhanced the output from the Chi-squared test. Content and document analysis were used for the analysis of interviews and documents.

## Chapter 5

# Quantitative Data Analysis

*“Statistics is the only science that enables different experts  
using the same figures to draw different conclusions.”*  
–Evan Esar (1899-1995)

As indicated in Chapter 1, this study aims to evaluate the Russian DIS by matching its stated objectives with the outcomes observed with the help of several components of the present investigation, including a retail depositor survey, interviews with bank staff, analysis of further documents, and in-branch observations.

This chapter focuses on the analysis of quantitative data gathered during the survey in six participating banks. Subsequent chapters focus on the qualitative data analysis (presented in Chapter 6), and on the document and observational data analysis (presented in Chapter 7). Detailed discussion of the findings presented in this and subsequent data chapters takes place in Chapter 8.

The quantitative data is analysed in relation to each stated objective (starting with Objective 1, then Objective 2, then Objective 3), and provides an insight into respondents' knowledge about the DIS, the extent of the information provision by the six participating banks, the level of respondents' confidence in the banking system, and their saving behaviour.

The following approach is adopted for each of the impact indicators in relation to each objective. Firstly, the data is analysed in aggregate form. Then, to add value to the large amount of data collected, it is looked at in disaggregate form against the bank as an independent variable. This throws further light on any differences between the responses of respondents from different banks.

## 5.1 Description of the Survey Data

### 5.1.1 Survey Data

To investigate the research questions, use was made of a retail depositors' survey. The survey, forming the base of the quantitative data analysis, was conducted between March and May 2009, with the aim of finding out how the public views the results of the DIS's work since 2004, and also whether the perceptions of the DIS and its benefits for the depositors changed after October 2008, when new parameters of the DIS were introduced.

The target population of the survey consisted of retail depositors in six banks. The data were collected through a paper-based questionnaire, copies of which can be found in Appendices 7, 8 and 9.

In total, 942 questionnaires were completed and returned. Four questionnaires were filled in by respective bank's employees (as stated in response to Question 3 'Why did you choose this bank?' using response option "Other"). Since it was not possible to determine what role these respondents occupied in their respective banks and how much they knew about the DIS because of their daily job, these four questionnaires had to be excluded from the total count.

All data from the remaining 938 questionnaires were verified and validated in accordance with the procedures set out in Appendix 11.

**Table 5.1**  
Survey returns by bank

| Bank  | Frequency | Percent |
|-------|-----------|---------|
| A1    | 149       | 15.9    |
| A2    | 251       | 26.8    |
| B1    | 57        | 6.1     |
| C1    | 142       | 15.1    |
| D1    | 69        | 7.4     |
| D2    | 270       | 28.8    |
| Total | 938       | 100.0   |

The contribution of each bank to the total number of questionnaires is presented in Table 5.1 above. As in all other tables throughout this chapter, ‘Frequency’ means a number of times a certain answer was chosen by respondents, ‘Percent’ means a percentage of the answers chosen by respondents from the total number of questionnaires (938 questionnaires in this case), and ‘Valid Percent’ means a percentage of the answers chosen by respondents from the number of questionnaires where an answer has been recorded (excluding questionnaires where the answer was missing).

### 5.1.2 Respondents’ Characteristics and Their Use of Banking Products and Services

The initial part of the questionnaire (the introductory questions regarding gender and age of the respondents, as well as Questions 1, 2 and 3) was used to gather descriptive data on respondents and their use of banking products and services.

The analysis indicates that of the 938 respondents, 54.5% were female and 45.5% were male. In terms of age, the respondents in age groups ‘26-35 years old’ and ‘36-45 years old’ formed almost half of the sample (28% and 21.2% respectively), whilst 18.6% of respondents fell within the ‘46-55 years old’ age group, 16.7% within the ‘≤ 25 years old’ age group, 10.8% within the ‘56-65 years old’ age group and only 4.8% of respondents were 66 years old or over (see Table 5.2).

**Table 5.2**  
Survey respondents by age

| Age of respondents | Frequency | Percent | Valid Percent |
|--------------------|-----------|---------|---------------|
| ≤ 25               | 150       | 16.0    | 16.7          |
| 26-35              | 252       | 26.9    | 28.0          |
| 36-45              | 191       | 20.4    | 21.2          |
| 46-55              | 167       | 17.8    | 18.6          |
| 56-65              | 97        | 10.3    | 10.8          |
| ≥ 66               | 43        | 4.6     | 4.8           |
| Total              | 900       | 95.9    | 100.0         |
| Missing            | 38        | 4.1     |               |
| Total              | 938       | 100.0   |               |

With regard to the respondents' use of banking products and services in their respective banks (Questions 1), 36.3% of respondents had a savings account, 30.1% had a current account, 27.4% had a card through the 'salary project' and 13.7% had some other card (credit or debit).

16.8% of respondents did not have a current account, a savings account or any card with their respective bank. These respondents were surveyed when using other banking services, which could include, for example, initial consultation before opening an account, paying utilities bills or making a money transfer within Russia or abroad. These respondents did not answer any bank-related questions on the questionnaire as they might have not been familiar with the level of information provision from the respective bank in regard to the DIS.

In Russia, when opening a current account, a depositor does not automatically receive a debit card, but having a card through the 'salary project' necessitates having a current account to and from which the salary payment and other transactions (for example, loan repayments) can be made. It is interesting to note that only 6.5% of respondents who claimed to have a card through the 'salary project' (27.4% of respondents), also acknowledged the existence of a current account with their respective bank.

With regard to the amount of money kept in the bank (Question 2), 94.8% of respondents had less than, or equal to, RUB 700,000 in their accounts.<sup>163</sup> This means that the values of current and savings accounts of almost all of respondents are below the current deposit insurance compensation amount.

The retail depositors were also asked about their reasons for choosing the bank they patronise (Question 3), and were able to choose more than one answer. More than a third of respondents chose their bank because of the high level of customer service (35%), and indicated the importance of the bank's reputation (32.8%), whilst 29.2% of retail depositors chose their bank through recommendation of a member of their family, a friend or other person.

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<sup>163</sup> 211 respondents did not provide an answer to Question 2. The answers to Question Q2 'What is the amount of your money deposited in this bank?' on the Bank D2's questionnaire have been worded differently and provided only two possible answers: '<= RUB 700,000' and '>= RUB 700,001'.

The participation of banks in the DIS in Russia is compulsory, yet 28% of respondents cited the bank's membership in the DIS as a reason for choosing a particular bank. A similar number of respondents indicated that their bank was chosen by their employer (as part of the 'salary project'), and a further 26.6% of retail depositors chose their bank because of the higher interest rate compared to other banks (see Table 5.3 for full details).

**Table 5.3**

Respondents' reasons for choosing the bank they patronise

| Question 3 'Why did you choose this bank to service your current/savings account?' | Responses |         | Percent of Cases |
|--|-----------|---------|------------------|
|  | N         | Percent |                  |
| High level of customer service   | 265       | 18.0%   | 35.0%            |
| Bank's reputation  | 249       | 17.0%   | 32.8%            |
| Better savings accounts' interest rates  | 202       | 13.8%   | 26.6%            |
| Better savings accounts' term of contract  | 68        | 4.6%    | 9.0%             |
| Recommendation by a member of the family, a friend, other person                   | 221       | 15.0%   | 29.2%            |
| Participation of this bank in the DIS  | 212       | 14.4%   | 28.0%            |
| Participation of my employer in the 'salary project'                               | 209       | 14.2%   | 27.6%            |
| Other  | 43        | 2.9%    | 5.7%             |
| Total  | 1469      | 100.0%  | 193.8%           |

## 5.2 Findings from Retail Depositors' Survey in Relation to Objective 1 "To Protect the Rights and Legal Interests of Household Depositors"

As shown in Table 4.3 in Chapter 4, there are 12 main impact indicators relating to Objective 1. The impact indicators to be evaluated with the data from the survey are impact indicators 1.2.1, 1.2.2, 1.2.4 and 1.3.6. The remaining indicators are examined in Chapters 6 and 7 and in Sections 5.3 and 5.4 of this chapter.



## 5.2.1 Depositors Know about the Parameters of, and the Process of Compensation Under, the DIS (Impact Indicator 1.2.1)

### 5.2.1.1 Aggregate

When asked to evaluate their own knowledge about the DIS on the scale of 1 to 5, where 1 is the lowest mark and 5 is the highest mark<sup>164</sup> (Question 7), only 12.9% of respondents stated that they know all or almost all about the DIS in Russia. A third of all respondents (30.1%) appraised their knowledge as ‘good’ (4 on the scale), and just over a third of respondents (32.2%) would have given themselves a ‘satisfactory’ mark (3 on the scale) for their knowledge.

With regards to one of the parameters of the DIS – the deposit insurance compensation amount (Question Q8) – 69.4% of respondents answered correctly (700,000 RUB), with the second most popular answer, 21.1%, being ‘Do not know’ (see Table 5.4).

**Table 5.4**

Respondents’ awareness of maximum deposit insurance compensation amount

| Question 8 ‘What is the maximum deposit insurance compensation amount?’ | Frequency | Percent | Valid Percent |
|---|-----------|---------|---------------|
| RUB 100,000   | 23        | 2.5     | 2.5           |
| RUB 400,000   | 47        | 5.0     | 5.1           |
| RUB 700,000   | 637       | 67.9    | 69.4          |
| RUB 1,000,000   | 8         | 0.9     | 0.9           |
| There is no maximum DIS compensation amount                             | 9         | 1.0     | 1.0           |
| Do not know   | 194       | 20.7    | 21.1          |
| Total   | 918       | 97.9    | 100.0         |
| Missing   | 20        | 2.1     |               |
| Total   | 938       | 100.0   |               |

When asked who is responsible for the organisation of deposit insurance compensation (Question 9), 5.7% of respondents treated this question as a multiple-choice question and

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<sup>164</sup> Considering general education is compulsory in Russia, this scale was adopted from Russian education system for the ease of understanding by the respondents.

gave more than one answer.<sup>165</sup> Whilst the correct and the most popular answer was the ‘Deposit Insurance Agency’, with the 50.1% of respondents choosing this option only, an additional 4.6% of respondents chose the ‘Deposit Insurance Agency’ answer as one of two or more options.

The second most popular answer, accounting for 18% of respondents, is ‘Do not know’, whilst ‘Central Bank’, ‘Government’ and ‘Bank servicing the savings/current account’ were chosen by 12.9%, 11.9% and 10.6% respectively (separately or in combinations with other answers).

### 5.2.1.2 *Disaggregate*

To determine whether the bank, as an independent variable, influenced the level of perceived knowledge about the DIS among retail depositors, and given that the data in Question 7 ‘How do you evaluate your knowledge about the deposit insurance scheme?’ is ordinal, the Kruskal-Wallis test was used.<sup>166</sup>

The results of the Kruskal-Wallis test showed that there is a statistical difference between the banks in respect of the level of perceived knowledge about the DIS among the retail depositors.

Based on the results of the Kruskal-Wallis test with respect to the Question 7, it was also possible to rank the banks in the order of a number of respondents giving the marks to themselves (from the highest mark to the lowest): 1st – Bank B1, 2nd – Bank A1, 3rd – Bank D1, 4th – Bank A2, 5th – Bank D2, 6th – Bank C1.

The boxplot chart in Figure 5.13 illustrates the significance of the differences between the performance of retail depositors from different banks in this question.

From Figure 5.13, it appears that four of the six banks, Banks A2, C1, D1 and D2, have the same complete range of values, the same inter-quarter range and the same median,

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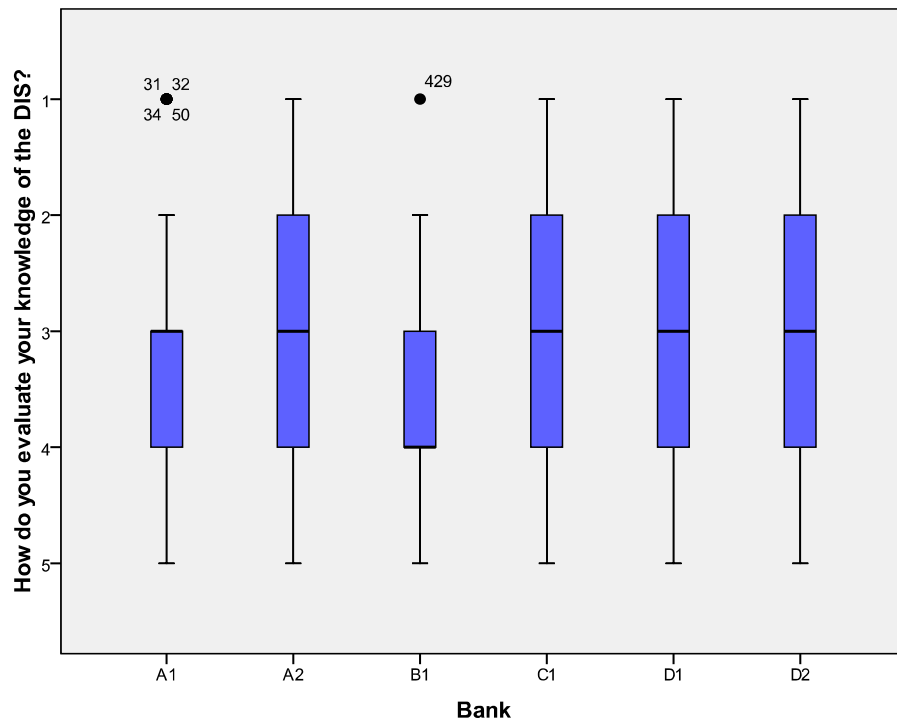
<sup>165</sup> Since some of the respondents treated this question as a multiple-choice question, it has been decided to analyse it as one in order to preserve the data in the same way as it has been expressed by the respondents.

<sup>166</sup> For a detailed analysis of data in disaggregate form in this and other sub-sections of this chapter, see Appendix 12.

with the latter falling onto the ‘satisfactory’ mark (3 on the scale). This may mean that the performance of retail depositors from these banks is very similar, even though the Kruskal-Wallis test picked up the significance.

**Figure 5.13**

Distribution of responses to a question about depositors’ perceived knowledge about the DIS, by bank



On the contrary the difference between Banks B1 and A1, which were ranked first and second accordingly, is visible, not only between these two banks, but also in relation to the other four banks’ distributions. Whilst both banks have the same complete range of values, ranging from 2 to 5, and the same inter-quarter range, ranging between 3 and 4, their medians differ as well as the number of outliers. The median of Bank A1 falls onto 3 and the median of Bank B1 falls onto 4, which may explain a higher ranking by the Kruskal-Wallis test.

The next question which was tested against the bank as an independent variable was Question 8 ‘What is the maximum deposit insurance compensation amount?’ To

determine whether there is a statistical difference between the banks with regard to whether the retail depositors know the correct deposit insurance compensation amount or not, the Chi-squared test were carried out in relation to the correct response option ‘RUB 700,000’.

The results of the Chi-squared test showed that there is, indeed, a relationship between a bank and the retail depositors’ knowledge of the correct amount of the deposit insurance compensation.

To rank the banks according to the performance of their retail depositors in this question,  $\psi$  values were calculated for each bank (as described in Chapter 4).

Based on the results of the additional analysis of  $\psi$  values, it was possible to rank the banks according to the performance of their retail depositors in this question (from the highest number of correct answers to the lowest): 1st – Bank B1, 2nd – Bank A1, 3rd – Bank D1, 4th – Bank C1, 5th – Bank D2, 6th – Bank A2.

Considering Question 9 ‘Who bears the responsibility for the organisation of deposit insurance compensation?’ contains nominal data, a separate Chi-squared test was carried out in relation to the correct response option ‘Deposit Insurance Agency’ to determine whether the bank, as an independent variable, influences retail depositors’ knowledge on this matter.

The results of the Chi-squared test showed that there is, indeed, a relationship between a bank and the retail depositors’ knowledge of who is responsible for the organisation of the deposit insurance compensation.

To rank the banks according to the performance of their retail depositors in this question,  $\psi$  values were calculated for each bank (as described in Chapter 4).

The original Question 9 ‘Who bears the responsibility for the organisation of deposit insurance compensation?’ has five response options, including the response option ‘Deposit Insurance Agency’, which is the only correct answer and was tested against the bank as an independent variable in this instance.<sup>167</sup>

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<sup>167</sup> As noted in Section 5.2.1.1 above, some respondents treated this question as a multiple-response question and 4.6% chose response option ‘Deposit Insurance Agency’ together with other response options. This percentage is not considered significant for the purposes of the Chi-squared test.

Based on the results of the additional analysis of  $\psi$  values, it was possible to rank the banks according to the performance of their retail depositors in this question (from the highest number of correct answers to the lowest): 1st – Bank D1, 2nd – Bank B1, 3rd – Bank A1, 4th – Bank D2, 5th – Bank C1, 6th – Bank A2.

## 5.2.2 Depositors Consult the Printed/Online Materials about the DIS (Impact Indicator 1.2.2)

### 5.2.2.1 *Aggregate*

Regarding retail depositors' claimed knowledge of where to find further information about the DIS (Question 14b), the majority of respondents (77%) somewhat or completely agreed that they knew where to find it, whilst 23% somewhat or completely disagreed (see Table 5.5).

**Table 5.5**

Respondents knowledge of sources of further information about the DIS

| <b>Question 14b 'I know where to find additional/further information about the DIS'</b> | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|---|------------------|----------------|----------------------|
| Completely agree  | 309              | 32.9           | 35.4                 |
| Somewhat agree  | 363              | 38.7           | 41.6                 |
| Somewhat disagree   | 153              | 16.3           | 17.5                 |
| Completely disagree   | 48               | 5.1            | 5.5                  |
| Total   | 873              | 93.1           | 100.0                |
| Missing   | 65               | 6.9            |                      |
| Total   | 938              | 100.0          |                      |

### 5.2.2.2 *Disaggregate*

To understand whether the bank, as an independent variable, influenced the perception of retail depositors with respect to their understanding of where to find additional information about the DIS (outside of the bank branch), and considering the data in Question 14b 'I know where to find further information about the deposit insurance scheme' is ordinal, the Kruskal-Wallis test was used.

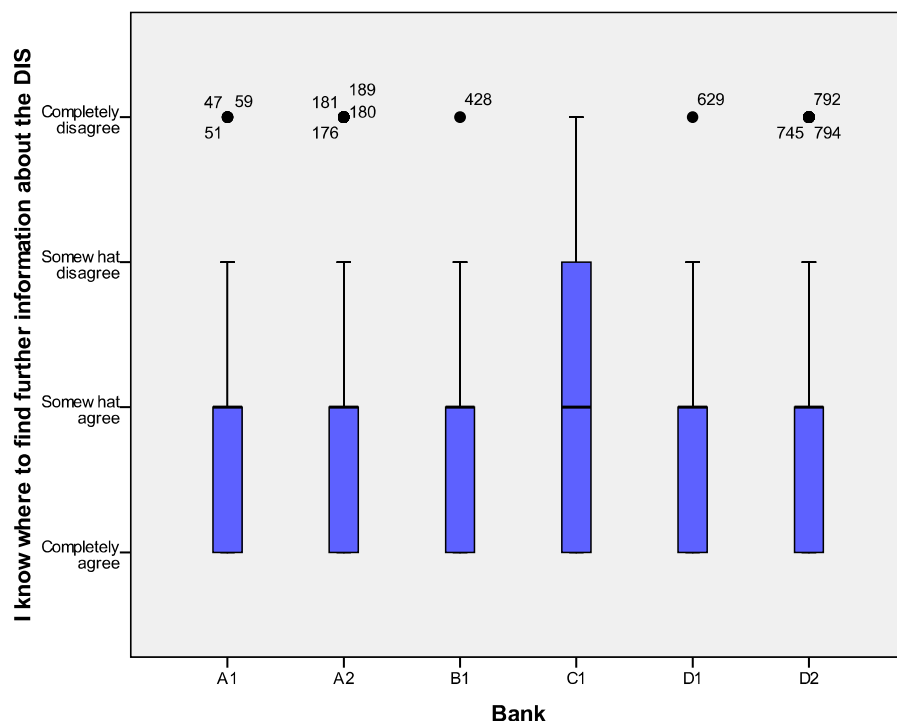
The results of the Kruskal-Wallis test showed that there is a statistical difference between the banks with respect to the level of retail depositors' agreement with the statement 'I know where to find further information about the deposit insurance scheme'.

Based on the results of the Kruskal-Wallis test with respect to the Question 14b, it is possible to rank the banks according to the number of respondents providing positive answers (from the highest to the lowest): 1st – B1; 2nd – D1; 3rd – D2; 4th – A1; 5th – A2; 6th – C1. The boxplot chart in Figure 5.14 illustrates the significance of the differences between the performance of banks' retail depositors in this question.

It can be seen from Figure 5.14 that, whilst all six banks have their median falling onto the 'Somewhat agree' response option, Bank C1 is the only bank which has the complete range of values ranging from 'Completely agree' to 'Completely disagree' response options. All the remaining banks have the same inter-quarter range, falling between the 'Complete agree' and 'Somewhat agree' response options as well as the complete ranges of values. Banks B1 and D1 stand out as they have only one outlier each.

**Figure 5.14**

Distribution of responses to a question about depositors' perceived knowledge of where to find additional information about the DIS, by bank



### 5.2.3 Depositors Have Been Made Aware of the Protection of Their Rights and Legal Interests (Impact Indicator 1.2.4)

#### 5.2.3.1 *Aggregate*

When asked whether their legal rights as depositors are more protected since the introduction of the DIS in 2004 (Question 11), 59.2% of respondents said ‘Yes’, 32.4% of respondents said ‘Do not know’ and 8.4% said ‘No’ (see Table 5.6).

**Table 5.6**

Respondents’ perception of protection under the DIS following its introduction of the DIS in 2004

| <b>Question 11 ‘Do you feel your rights as depositor are more protected since the introduction of the DIS in 2004?’</b> | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|---|------------------|----------------|----------------------|
| Yes   | 551              | 58.7           | 59.2                 |
| No  | 78               | 8.3            | 8.4                  |
| Do not know   | 302              | 32.2           | 32.4                 |
| Total   | 931              | 99.3           | 100.0                |
| Missing   | 7                | 0.7            |                      |
| Total   | 938              | 100.0          |                      |

#### 5.2.3.2 *Disaggregate*

To demonstrate the extent to which the banks influenced the perception of retail depositors about the protection of their rights and legal interests under the DIS, and considering the data in Question 11 ‘Do you feel your rights as depositor are more protected following the introduction of the deposit insurance scheme in 2004?’ is nominal, the Chi-squared test was used.

The results of the Chi-squared test showed that there is, indeed, a relationship between a bank and the way retail depositors feel about the protection of their rights and legal interests.

To rank the banks according to the performance of their retail depositors in this question,  $\phi$  values were calculated for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\psi$  values, it was possible to rank the banks according to the performance of their retail depositors in this question (from the highest number of correct answers to the lowest): 1st – Bank A1, 2nd – Bank D1, 3rd – Bank D2, 4th – Bank B1, 5th – Bank A2, 6th – Bank C1.

The bar chart in Figure 5.15 illustrates the significance of the differences between the performance of retail depositors from different banks in this question.

**Figure 5.15**

Levels of perception of retail depositors about the protection of their rights and legal interests under the DIS by bank, in percentage

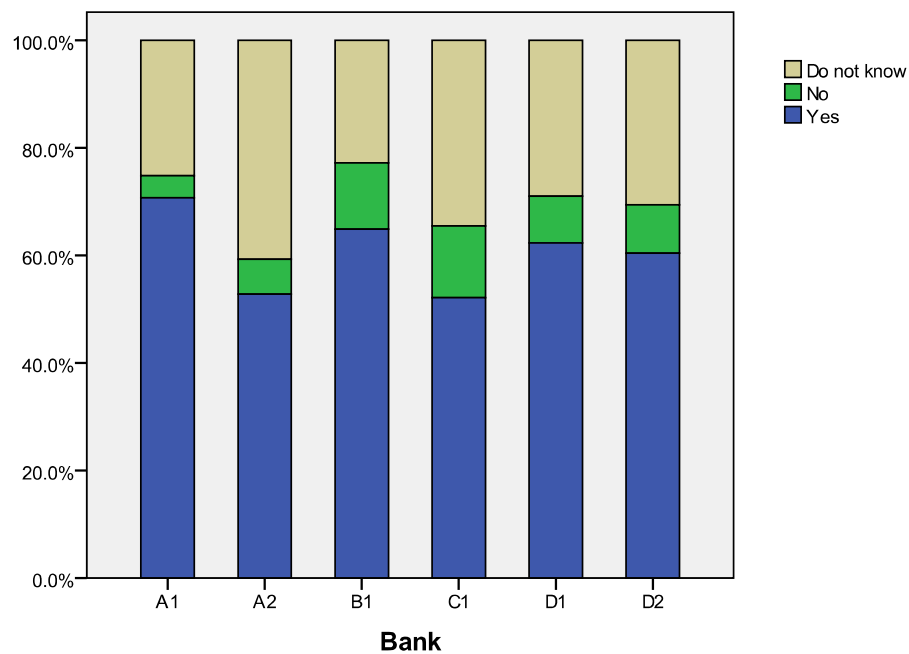


Figure 5.15 shows that Bank A1, which was ranked first, has the highest proportion of retail depositors who perceive their rights and legal interests are more protected since the introduction of the DIS, whilst Bank C1, which was ranked sixth, has the smallest proportion of the same and the highest proportion of depositors who believe that their rights and legal interests are not protected to a greater extent than before 2004.



## 5.2.4 Banks Inform Depositors about the DIS (Impact Indicator 1.3.6)

### 5.2.4.1 Aggregate

When asked whether their bank is a member of the DIS (Question 4), 80.7% of respondents stated that their bank was a member of the DIS, 16.4% of respondents did not know, whilst 2.9% of respondents thought their bank was not a member of the DIS at all (see Table 5.7).<sup>168</sup>

**Table 5.7**

Respondents' awareness of their bank's membership in the DIS

| Question 4 'Is this bank a member of the DIS?' | Frequency | Percent | Valid Percent |
|--|-----------|---------|---------------|
| Yes  | 613       | 65.4    | 80.7          |
| No   | 22        | 2.3     | 2.9           |
| Do not know                                    | 125       | 13.3    | 16.4          |
| Total  | 760       | 81.0    | 100.0         |
| Missing  | 178       | 19.0    |               |
| Total  | 938       | 100.0   |               |

In order to understand how the respondents were informed about the DIS, they were asked to indicate at what stages they received information about the DIS from their respective bank (Question 6). In this instance, the respondents were allowed to choose more than one answer, as they might have received such information on different occasions. Over half of all respondents (55.7%) indicated that they were informed by a clerk at the time of opening a savings/current bank account, with just under half of all respondents (45.8%) stating that they read about the DIS on the information stand at the bank's branch prior to opening the savings/current account. It appears that only 14.6% of all respondents noticed the information about the DIS in the text of the savings/current account contract, whilst 11.1% of all respondents did not receive such information at all (see Table 5.8).

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<sup>168</sup> The missing number of 178 includes 155 respondents who did not have any banking product or service at the respective bank.

**Table 5.8**

How the respondents were informed about the DIS at the bank they patronise

| <b>Question 6 ‘Were you informed by this bank about the DIS when opening the savings/current account?’</b>    | <b>Responses</b> |                | <b>Percent of Cases</b> |
|---|------------------|----------------|-------------------------|
|   | <b>N</b>         | <b>Percent</b> |                         |
| Yes, I read about it on the information stand at the bank’s branch before opening the savings/current account | 333              | 36.0%          | 45.8%                   |
| Yes, I received information from the bank clerk at the time of opening the savings/current account            | 405              | 43.8%          | 55.7%                   |
| Yes, I saw information in the text of the contract at the time of opening the savings/current account         | 106              | 11.5%          | 14.6%                   |
| No, I have not received such information from this bank   | 81               | 8.8%           | 11.1%                   |
| Total   | 925              | 100.0%         | 127.2%                  |

Regarding receiving sufficient information about the DIS from their respective bank (Question 14a), a majority of respondents (82.9%) somewhat or completely agreed that their bank provided adequate information on the DIS, whilst 17.1% somewhat or completely disagreed (see Table 5.9).

**Table 5.9**

Respondents’ attitudes to information provision

| <b>Question 14a ‘I receive enough information about the DIS from this bank’</b> | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|---|------------------|----------------|----------------------|
| Completely agree  | 336              | 35.8           | 39.0                 |
| Somewhat agree  | 379              | 40.4           | 44.0                 |
| Somewhat disagree   | 116              | 12.4           | 13.5                 |
| Completely disagree   | 31               | 3.3            | 3.6                  |
| Total   | 862              | 91.9           | 100.0                |
| Missing   | 76               | 8.1            |                      |
| Total   | 938              | 100.0          |                      |

As the changes in the parameters of the DIS, which were introduced in October 2008, were still current at the time of the survey, retail depositors were asked about the sources of information about the changes (Question 16 ‘How did you hear about the changes?’), and were able to choose more than one answer.

Just under half of all respondents (44.4%) stated that they found out about the changes in the parameters of the DIS via TV, whilst 40.7% reported having been informed by the bank they patronise. Other popular answers were ‘Printed press’, chosen by 29.2% of respondents and ‘Internet’, chosen by 26% of respondents (see Table 5.10).

**Table 5.10**

How did the respondents hear about the changes in the DIS which took place in October 2008

| Question 16 ‘How did you hear about the changes?’ | Responses |         | Percent of Cases |
|---|-----------|---------|------------------|
|   | N         | Percent |                  |
| TV  | 351       | 27.1%   | 44.4%            |
| Printed press (newspapers, magazines)             | 231       | 17.8%   | 29.2%            |
| Radio   | 76        | 5.9%    | 9.6%             |
| Internet  | 206       | 15.9%   | 26.0%            |
| From a family member, a friend, other person      | 100       | 7.7%    | 12.6%            |
| In the bank’s branch                              | 322       | 24.8%   | 40.7%            |
| Other   | 11        | 0.8%    | 1.4%             |
| Total   | 1297      | 100.0%  | 164.0%           |

#### 5.2.4.2 *Disaggregate*

To ascertain whether the bank, as an independent variable, influenced the retail depositors’ knowledge about whether the bank they patronised is a member of the DIS or not, and considering the data in Question 4 ‘Is this bank a member of the deposit insurance scheme?’ is nominal, the Chi-squared test was used.

The results of the Chi-squared test showed that there is, indeed, a relationship between a bank and retail depositors’ knowledge of whether their bank is a member of the DIS.

To rank the banks according to their performance in this question,  $\phi$  values were calculated for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\phi$  values, it was possible to rank the banks according to the performance of their retail depositors in this question (from the highest number of correct answers to the lowest): 1st – Bank B1, 2nd – Bank A2, 3rd –

Bank D1, 4th – Bank A2, 5th – Bank C1, 6th – Bank D2.

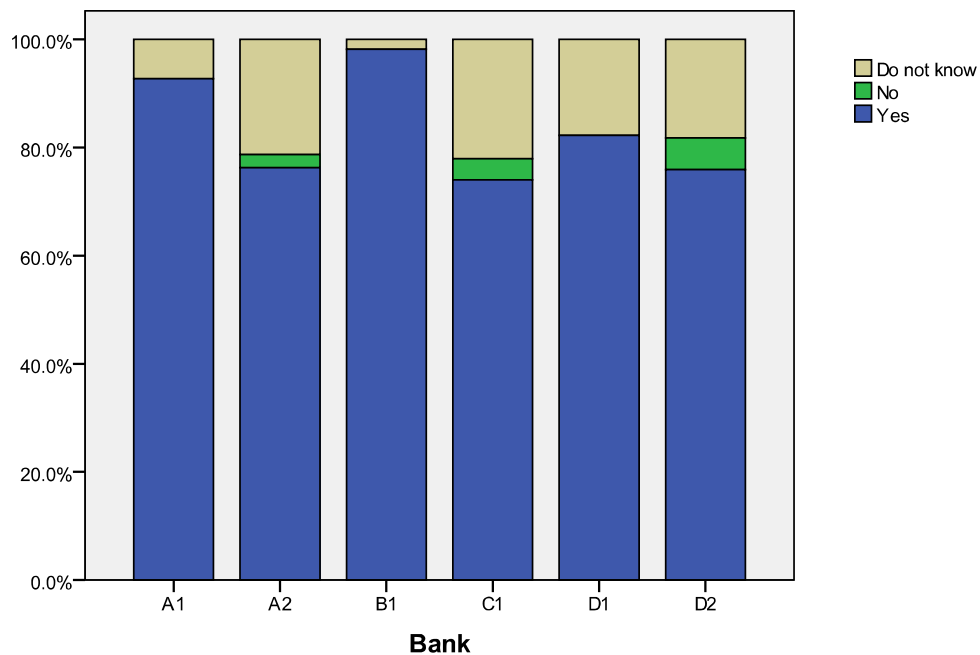
The bar chart in Figure 5.16 illustrates the significance of the differences between the performance of banks' retail depositors in this question.

Figure 5.16 shows that, whilst Banks A1, B1 and D1 have no respondents stating that their bank is not a member of the DIS, Bank B1, which was ranked first, has the highest proportion of retail depositors who know that their bank is definitely a member of the scheme. Banks A1 and D1 have the second and third highest proportion of the same, which confirms their ranking.

Compared to all banks, Bank D2, which was ranked sixth, has the highest proportion of retail depositors who think their bank is not a member of the DIS.

**Figure 5.16**

Levels of knowledge among the retail depositors of whether their bank is a member of the DIS, by bank, in percentage



Considering Question 6 'Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?' is a multiple-response question and contains nominal data, separate Chi-squared tests were carried out in relation to four response options: 'Yes, I read about it on the information stand in the bank's branch

before opening the savings/current account', 'Yes, I received information from the bank clerk at the time of opening the savings/current account' and 'Yes, I saw information in the text of contract at the time of opening the savings/current account' to determine whether the bank, as an independent variable, influences retail depositors' answers to this question.

The results of the Chi-squared test in relation to the first response option 'Yes, I read about it on the information stand in the bank's branch before opening the savings/current account', showed that there is, indeed, a relationship between a bank and the fact that retail depositors read the DIS on the information stand in the bank's branch before opening the savings/current account.

To rank the banks according to the performance of their retail depositors in the first response option,  $\phi$  values were calculated for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\phi$  values, it was possible to rank the banks according to the performance of their retail depositors in this response option (from the highest number of correct answers to the lowest): 1st – Bank A1, 2nd – Bank D1, 3rd – Bank B1, 4th – Bank D2, 5th – Bank C1, 6th – Bank A2.

The results of the Chi-squared test in relation to the second response option 'Yes, I received information from the bank clerk at the time of opening the savings/current account', showed that there is, indeed, a relationship between a bank and the fact that the retail depositors received information about the DIS from the bank clerks at the time of opening the savings/current account.

To rank the banks according to the performance of their retail depositors in the second response option, it is necessary to calculate  $\phi$  values for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\phi$  values, it was possible to rank the banks according to the performance of their retail depositors in this response option (from the highest number of correct answers to the lowest): 1st – Bank A1, 2nd – Bank D2,

3rd – Bank B1, 4th – Bank D1, 5th – Bank C1, 6th – Bank A2.

The results of the Chi-squared test in relation to the third response option ‘Yes, I saw information in the text of contract at the time of opening the savings/current account’, showed that there is, indeed, a relationship between a bank and the fact that the retail depositors saw the information about the DIS in the text of contract at the time of opening the savings/current account.

To rank the banks according to the performance of their retail depositors in the third response option,  $\phi$  values were calculated for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\phi$  values, it was possible to rank the banks according to the performance of their retail depositors in this response option (from the highest number of answers to the lowest): 1st – Bank B1, 2nd – Bank D1, 3rd – Bank A1, 4th – Bank D2, 5th – Bank C1, 6th – Bank A2.

The results of the Chi-squared test in relation to the fourth response option ‘No, I have not received such information from this bank’, showed that there is, indeed, a relationship between a bank and the fact whether the retail depositors did not receive the information about the DIS from the bank they patronise.

To rank the banks according to the performance of their retail depositors in the fourth response option, it is necessary to calculate  $\phi$  values for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\phi$  values, it was possible to rank the banks according to the performance of their retail depositors in this response option (from the highest number of answers to the lowest): 1st – Bank A1, 2nd – Bank B1, 3rd – Bank C1, 4th – Bank D1, 5th – Bank A2, 6th – Bank D2.

In order to ascertain whether the bank, as an independent variable, influenced the perception of retail depositors with respect to receiving sufficient information about the DIS from the bank they patronise, and considering the data in Question 14a 'I receive sufficient information about the deposit insurance scheme from this bank' is ordinal, the Kruskal-Wallis test was used.

The results of the Kruskal-Wallis test showed that there is no statistical difference between the banks with respect to the level of retail depositors' agreement with the statement 'I receive sufficient information about the deposit insurance scheme from this bank'.

In relation to Question 16 'How did you hear about the changes?' which was aimed at gathering data as to the sources of information about the changes in the parameters of the DIS, which took place in October 2008, the response option 'In the bank's branch' presents the most interest, considering that banks are obliged to provide information about the DIS to retail depositors.

In order to establish whether there is a statistical difference between banks with respect to retail depositors' answers in this instance, and considering the data in this question is nominal, the Chi-squared was used.

The results of the Chi-squared test showed that there is, indeed, a relationship between a bank and whether the retail depositors were informed by the bank they patronise about the changes in the parameters of the DIS, which were introduced in October 2008.

To rank the banks according to the performance of their retail depositors in this question,  $\phi$  values were calculated for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\phi$  values, it was possible to rank the banks according to the performance of their retail depositors in this response option (from the highest number of answers to the lowest): 1st – Bank A1, 2nd – Bank C1, 3rd – Bank D2, 4th – Bank A2, 5th – Bank B1, 6th – Bank D1.

### 5.3 Findings from Retail Depositors' Survey in Relation to Objective 2 "To Strengthen Public Confidence in the Banking System"

As shown in Table 4.3 in Chapter 4, there are four main impact indicators relating to Objective 2. The impact indicators to be evaluated with the data from the survey are impact indicators 2.1.1, 2.1.2 and 2.1.3. The remaining indicators are examined in Chapters 6 and 7 and in Section 5.2 and 5.4 of this chapter.

#### 5.3.1 Depositors Believe Their Money Is Safe With the Bank Where Their Account Is Held (Impact Indicator 2.1.1)

##### 5.3.1.1 *Aggregate*

When asked how confident respondents were concerning the safety of their money in their respective bank (Question 5),<sup>169</sup> 95.4% of respondents were somewhat or completely confident (52.3% and 43.1% respectively), whilst the remaining 4.6% of respondents felt somewhat or completely unconfident (3.6% and 1.1% respectively).

**Table 5.11**

Respondents' confidence in the safety of the money deposited in the bank

| <b>Question 5 'How confident are you in the safety of your money in this bank?'</b> | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|---|------------------|----------------|----------------------|
| Completely confident  | 242              | 25.8           | 43.1                 |
| Somewhat confident  | 294              | 31.3           | 52.3                 |
| Somewhat unconfident  | 20               | 2.1            | 3.6                  |
| Completely unconfident  | 6                | 0.6            | 1.1                  |
| Total   | 562              | 59.9           | 100.0                |
| Missing   | 376              | 40.1           |                      |
| Total   | 938              | 100.0          |                      |

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<sup>169</sup> The data are not covering Bank A2 as this question was not featured in their questionnaire, for more details see Chapter 4.



### 5.3.1.2 *Disaggregate*

To identify whether the level of perceived confidence of retail depositors in the safety of their money was influenced by the bank they deposit their money with, and considering the data in Question 5 ‘How confident are you in the safety of your money in this bank?’ is ordinal, the Kruskal-Wallis test was used.

The results of the Kruskal-Wallis test showed that there is no statistical difference between the banks with respect to the level of retail depositors’ confidence in the safety of their money in the bank.

## 5.3.2 Depositors Are Confident in the Banking System (Impact Indicator 2.1.2)

### 5.3.2.1 *Aggregate*

In relation to the question of a possible change in the level of confidence in the banking system (Question 12), 56.5% of respondents reported increased confidence in the banking system since the introduction of the DIS in 2004. The confidence level of 42.3% of respondents remained unchanged, whilst for 1.2% it actually decreased.

**Table 5.12**

Respondents’ level of confidence in the banking system following the introduction of the DIS in 2004

| <b>Question 12 ‘How did your confidence in banking system change since the introduction of the DIS in 2004?’</b> | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|--|------------------|----------------|----------------------|
| Level of confidence increased  | 522              | 55.7           | 56.5                 |
| Level of confidence decreased  | 11               | 1.2            | 1.2                  |
| Level of confidence remained unchanged   | 391              | 41.7           | 42.3                 |
| Total  | 924              | 98.5           | 100.0                |
| Missing  | 14               | 1.5            |                      |
| Total  | 938              | 100.0          |                      |

Concerning the influence the introduction of the DIS had on the respondents’ confidence in the banking system (Question 14d), a majority of respondents (72.3%) somewhat or

completely agreed that the DIS had a major impact on the change of their confidence in the banking system, whilst 27.7% somewhat or completely disagreed.

**Table 5.13**

Respondents' view of the link between the introduction of the DIS and a change in the level of confidence in the banking system

| <b>Question 14d 'Introduction of the DIS to a large extent influenced the change of my confidence in banking system'</b> | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|--|------------------|----------------|----------------------|
| Completely agree   | 209              | 22.3           | 24.1                 |
| Somewhat agree   | 417              | 44.5           | 48.2                 |
| Somewhat disagree  | 175              | 18.7           | 20.2                 |
| Completely disagree  | 65               | 6.9            | 7.5                  |
| Total  | 866              | 92.3           | 100.0                |
| Missing  | 72               | 7.7            |                      |
| Total  | 938              | 100.0          |                      |

As indicated in Chapter 3, a change occurred in the DIS in late 2008 as a response to the financial crisis. When asked whether their level of confidence in the banking system had changed after October 2008 (Question 18), when the new parameters of the DIS were implemented, 50.4% of respondents stated that their level of confidence had remained unchanged, when compared to the confidence level of September 2008 (a month before the changes in the parameters of the DIS). The confidence level of 46% of respondents increased, whilst 3.6% reported an actual decrease compared to the level of confidence in September.

**Table 5.14**

Respondents' level of confidence in the banking system following the change in the parameters of the DIS in October 2008

| <b>Question 18 'Did your confidence in banking system change since October 2008?'</b> | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|---|------------------|----------------|----------------------|
| Level of confidence has increased   | 420              | 44.8           | 46.0                 |
| Level of confidence has remained unchanged  | 460              | 49.0           | 50.4                 |
| Level of confidence has decreased   | 33               | 3.5            | 3.6                  |
| Total   | 913              | 97.3           | 100.0                |
| Missing   | 25               | 2.7            |                      |
| Total   | 938              | 100.0          |                      |

### 5.3.2.2 Disaggregate

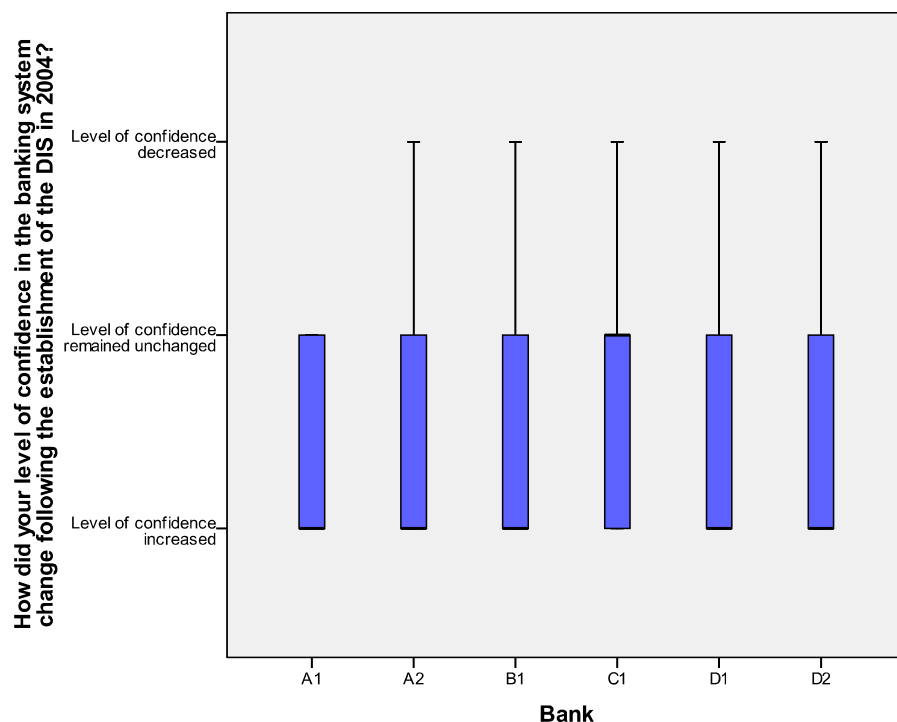
To determine whether there is a statistical difference between the banks with regard to their retail depositors' level of confidence in the banking system following the introduction of the DIS in 2004 (Question 12), and considering the data in this question is ordinal, the Kruskal-Wallis test was used.

The results of the Kruskal-Wallis test showed that there is a statistical difference between the banks with respect to the change in the level of confidence following the introduction of the DIS in 2004.

According to the ranks provided as part of the output from the Kruskal-Wallis test, it was possible to rank the banks in the order of the change in level of confidence in banking system (from 'increased' to 'decreased'): 1st – Bank A1; 2nd – Bank B1; 3rd – Bank D1; 4th – Bank D2; 5th – Bank A2; 6th – Bank C1.

**Figure 5.17**

Distribution of responses with regard to perceived changes in the level of confidence in the banking system among the depositors, by bank.



The boxplot chart in Figure 5.17 illustrates the significance of the differences between

the performance of banks' retail depositors in this question.

It can be seen from Figure 5.17 that Banks A2, B1, D1 and D2 appear to have very similar distributions. In contrast, Banks A1 and C1 differ from the other four banks. Bank A1's complete range of values falls between 'Level of confidence increased' and 'Level of confidence remained unchanged' with the median falling on the 'Level of confidence increased' response option. As for Bank C1, not only the complete range of values ranges from 'Level of confidence increased' to 'Level of confidence decreased', but the median falls on the 'Level of confidence remained unchanged', which means that contrary to the other five banks, Bank C1 is the only bank where the average respondent's level of confidence remained unchanged.

To establish whether the bank, as an independent variable, influenced the retail depositors' perception of the influence the introduction of the DI had on the change in the level of their confidence in the banking system, and considering the data in Question 14d 'The introduction of the deposit insurance scheme to a large extent influenced a change in my confidence in the banking system' is ordinal, the Kruskal-Wallis test was used.

The results of the Kruskal-Wallis test showed that there is a statistical difference between the banks with respect to the level of retail depositors' agreement with the statement 'The introduction of the deposit insurance scheme to a large extent influenced a change in my confidence in the banking system'.

According to the ranks provided as part of the output from the Kruskal-Wallis test with respect to Question 14d, the banks can be ranked in order of the number of respondents providing positive answers (from the highest to the lowest): 1st – Bank A1; 2nd – Bank B1; 3rd – Bank A2; 4th – Bank D1; 5th – Bank D2; 6th – Bank C1.

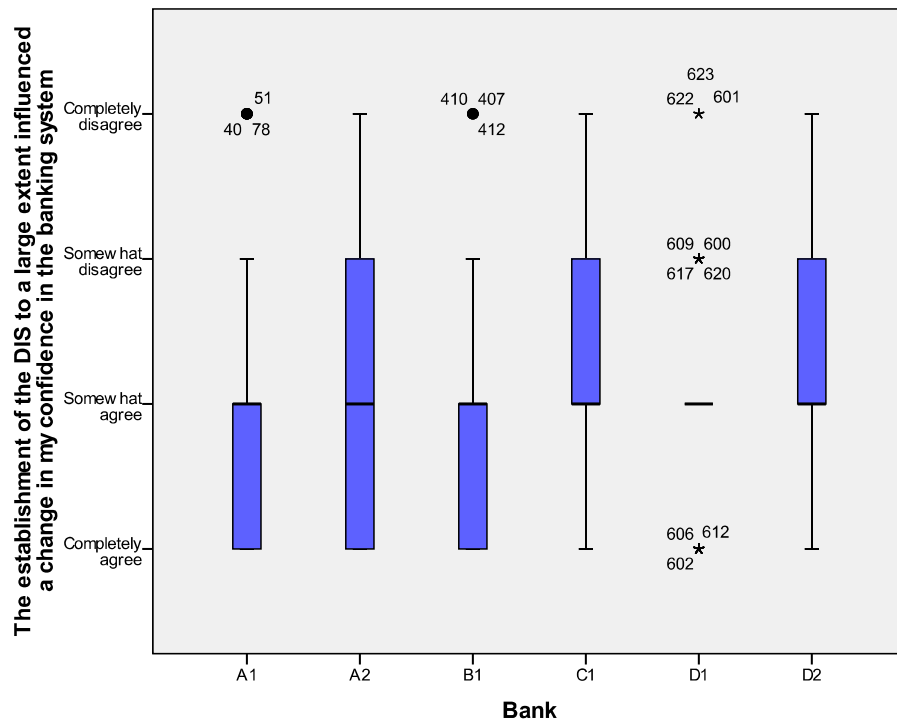
The boxplot chart in Figure 5.18 illustrates the significance of the differences between the performance of retail depositors from different banks in this question.

The Figure 5.18 shows that all banks have the same median, which falls onto the 'Somewhat agree' response option. However, the two banks which were ranked first and second appear to have a distribution which is different from the other four banks. The

complete range of values of Banks A1 and B1 falls between ‘Completely agree’ and ‘Somewhat agree’ response options and both of these banks also have the same number of outliers, three. These outliers fall onto the ‘Completely disagree’ response options, whilst in case of other banks, which response option is included in the complete range of values. Banks D2 and C1, ranked fifth and sixth accordingly, appear to have a similar complete range of values, ranging from the response option ‘Completely agree’ to the response option ‘Completely disagree’ and have the same inter-quarter range falling from the response option ‘Somewhat agree’ to the response option ‘Somewhat disagree’.

**Figure 5.18**

Distribution of responses with regard to a perceived influence of the DIS on the changes in the levels of confidence in the banking system among the depositors, by bank.



To establish whether the bank, as an independent variable, influenced the perception of retail depositors with respect to their perceived change in the level of confidence in the banking system since the latest changes in the parameters of the DIS took place in October 2008, and considering the data in Question 18 ‘Has your level of confidence in the banking system changed since October 2008?’ is ordinal, the Kruskal-Wallis test was used.

The results of the Kruskal-Wallis test showed that there is a statistical difference between the banks with respect to the change in the level of retail depositors' confidence since October 2008.

According to the ranks provided as part of the output from the Kruskal-Wallis test, the banks were ranked in order of the change of level of confidence in banking system (from 'increased' to 'decreased'): 1st – Bank A1; 2nd – Bank B1; 3rd – Bank A2; 4th – Bank D1; 5th – Bank C1; 6th – Bank D2.

The boxplot chart in Figure 5.19 illustrates the significance of the differences between the performance of banks' retail depositors in this question.

**Figure 5.19**

Distribution of responses in relation to a perceived change in the level of confidence in the banking system since October 2008, by bank.

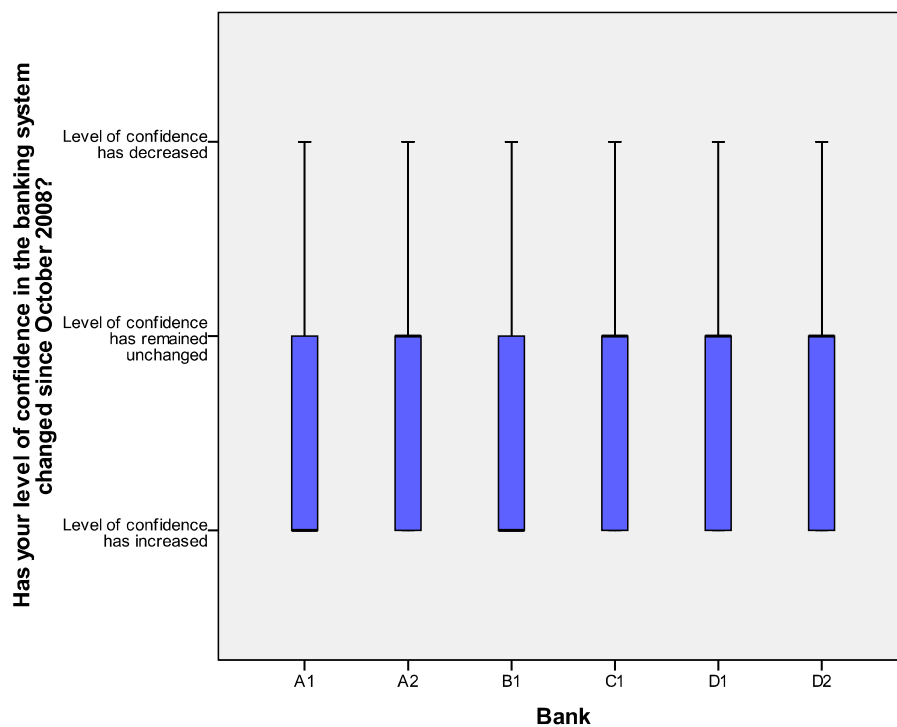


Figure 5.19 shows that the distribution of all banks appears to be the same (same complete range of values from the response option 'Level of confidence increased' to the response option 'Level of confidence decreased' and the same inter-quarter range, ranging from the response option 'Level of confidence increased' to the response option

‘Level of confidence remained unchanged’). However, it is noticeable that the median in case of Banks A1 and B1 falls onto the response option ‘Level of confidence increased’ whilst, in case of all other banks, it falls onto the response option ‘Level of confidence remained unchanged’.

### 5.3.3 Depositors Recommend Savings Accounts to Their Family and Friends (Impact Indicator 2.1.3)

#### 5.3.3.1 *Aggregate*

When asked about the reasons for choosing the bank they patronise (Question 3) (see Section 5.1.2), just under a third of all respondents (29.2%) stated that they have chosen their specific bank through recommendation by a member of their family, a friend or other person.

With regards to retail depositors’ willingness to recommend keeping money in savings accounts to members of their families and friends (Question 14e), a majority of respondents (69.7%) somewhat or completely agreed that they do recommend this, whilst 30.3% of respondents somewhat or completely disagreed.

**Table 5.15**

Respondents’ agreement with the statement “I recommend to family and friends to place their money in savings accounts”

| <b>Question 14e ‘I recommend to family and friends to place their money in savings accounts’</b> | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|--|------------------|----------------|----------------------|
| Completely agree   | 214              | 22.8           | 24.9                 |
| Somewhat agree   | 384              | 40.9           | 44.8                 |
| Somewhat disagree  | 176              | 18.8           | 20.5                 |
| Completely disagree  | 84               | 9.0            | 9.8                  |
| Total  | 858              | 91.5           | 100.0                |
| Missing  | 80               | 8.5            |                      |
| Total  | 938              | 100.0          |                      |

As presented in Section 5.2.4, retail depositors were also asked to state the sources of information about the changes in the parameters of the DIS (Question 16 ‘How did you

hear about the changes?’). 12.6% of respondents reported having heard about the change in the parameters of the DIS from a member of their family, a friend or some other person.

#### **5.3.3.2 *Disaggregate***

To establish whether the bank, as an independent variable, influenced the perception of retail depositors with respect to whether they recommend to their families and friends to keep money in savings account or not, and considering the data in Question 14e ‘I recommend to family and friends to place their money in savings accounts’ is ordinal, the Kruskal-Wallis test was used.

The results of the Kruskal-Wallis test showed that there is no statistical difference between the banks with respect to the level of retail depositors’ agreement with the statement ‘I recommend to family and friends to place their money in savings accounts’.

### **5.4 Findings from Retail Depositors’ Survey in Relation to Objective 3 “To Encourage Household Savings in the Banking System of the Russian Federation”**

As shown in Table 4.3 in Chapter 4, there are five main impact indicators relating to Objective 3. The impact indicators to be evaluated with the data from the survey are impact indicators 3.1.2 and 3.1.3. The remaining indicators are examined in Chapters 6 and 7 and in Section 5.2 and 5.3 of this chapter.

#### **5.4.1 Public Opens More Saving Accounts and/or Increases the Value of Existing Savings Account As the Changes in the Parameters of the DIS Are Implemented (Impact Indicator 3.1.2)**

##### **5.4.1.1 *Aggregate***

When asked about the actions the retail depositors took or were planning to take in the



future as a consequence of the changes in the parameters of the DIS (Question 17),<sup>170</sup> the majority of respondents (63.9%) stated that they do not plan to either increase the value of their savings account in the bank they patronise or open a new savings account in another bank. Just under a third of respondents (28.7%) have already increased or were planning to increase, the value of their savings accounts at the time of the survey, whilst only 9.6% of respondents have already opened, or were planning to open, a new savings account in another bank (see Table 5.16).

**Table 5.16**

How did the respondents react, or were planning to react at the time of survey, to the changes in the parameters of the DIS which took place in October 2008

| Q17 'How will you react/plan to react to these changes?'                       | Responses |         | Percent of Cases |
|--|-----------|---------|------------------|
|  | N         | Percent |                  |
| I have increased/plan to increase the value of my savings account in this bank | 261       | 28.1%   | 28.7%            |
| I have opened/plan to open a new savings account in another bank               | 87        | 9.4%    | 9.6%             |
| I do not plan to do either of the above  | 581       | 62.5%   | 63.9%            |
| Total  | 929       | 100.0%  | 102.2%           |

#### 5.4.1.2 Disaggregate

Considering Question 17 'How have you reacted/do you plan to react to these changes?' is a multiple-response question and contains nominal data, separate Chi-squared tests were carried out in relation to the response option 'I have increased/plan to increase the value of my savings account in this bank', the response option 'I have opened/plan to open a new savings account in another bank' and the response option 'I do not plan to do either of the above' to determine whether the bank, as an independent variable, influenced retail depositors' willingness to act in the face of changing the parameters of the DIS.

The results of the Chi-squared test in relation to the first response option 'I have increased/plan to increase the value of my savings account in this bank', showed that there is, indeed, a relationship between a bank and a retail depositors' willingness to

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<sup>170</sup> This was a multiple-response question.

increase the value of their savings accounts in the bank they patronise.

To rank the banks according to the performance of their retail depositors in the first response option,  $\phi$  values were calculated for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\phi$  values, it was possible to rank the banks according to the performance of their retail depositors in this response option (from the highest number of answers to the lowest): 1st – Bank A1, 2nd – Bank B1, 3rd – Bank C1, 4th – Bank D1, 5th – Bank A2, 6th – Bank D2.

The results of the Chi-squared test in relation to the second response option ‘I have opened/plan to open a new savings account in another bank’, showed that there is, indeed, a relationship between a bank and a retail depositors’ willingness to open a new savings account in another bank.

To rank the banks according to the performance of their retail depositors in the second response option,  $\phi$  values were calculated for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\phi$  values, it was possible to rank the banks according to the performance of their retail depositors in this response option (from the highest number of answers to the lowest): 1st – Bank B1, 2nd – Bank C1, 3rd – Bank A1, 4th – Bank D1, 5th – Bank D2, 6th – Bank A2.

The results of the Chi-squared test in relation to the third response option ‘I do not plan to do anything from the above’, showed that there is, indeed, a relationship between a bank and the fact that the retail depositors did not plan either to increase the value of their savings accounts, or to open a new savings accounts in another bank.

To rank the banks according to the performance of their retail depositors in the third response option,  $\phi$  values were calculated for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\psi$  values, it was possible to rank the banks according to the performance of their retail depositors in this response option (from the highest number of answers to the lowest): 1st – Bank A1, 2nd – Bank B1, 3rd – Bank C1, 4th – Bank A2, 5th – Bank D1, 6th – Bank D2.

## 5.4.2 Depositors Save More through Bank Deposits (Impact Indicator 3.1.3)

### 5.4.2.1 Aggregate

When asked about changes in saving behaviour since the introduction of the DIS in 2004, 60% of respondents claimed their saving behaviour remained unchanged (see Table 5.17). Of the remainder, 24% of the respondents did actually increase the value of their savings as a result of the introduction of the DIS, whilst the 9.9% of the respondents did not increase the value of their savings accounts, despite the introduction of the DIS. The remaining 6% of respondents, in spite of increasing the value of their saving accounts, did not see any association between the introduction of the DIS and changes in their saving behaviour.

**Table 5.17**

Respondents' saving behaviour following the introduction of the DIS in 2004

| <b>Question 13 'How did your saving behaviour change since the introduction of the DIS in 2004?'</b> | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|--|------------------|----------------|----------------------|
| I increased the value of savings account in connection with the introduction of the DIS              | 216              | 23.0           | 24.0                 |
| I increased the value of savings account irrespective of the introduction of the DIS                 | 49               | 5.2            | 5.5                  |
| I did not increased the value of savings account despite the introduction of the DIS                 | 95               | 10.1           | 10.6                 |
| My saving behaviour remained unchanged   | 539              | 57.5           | 60.0                 |
| Total  | 899              | 95.8           | 100.0                |
| Missing  | 39               | 4.2            |                      |
| Total  | 938              | 100.0          |                      |

Concerning the influence of the introduction of the DIS on respondents' saving behaviour

(Question 14c), a majority of respondents (61.3%) somewhat or completely agreed that the DIS had a major impact on changes in their saving behaviour, whilst 38.7% somewhat or completely disagreed.

**Table 5.18**

Respondents' view of the link between the introduction of the DIS and the change in the saving behaviour, if any

| <b>Question 14c 'Introduction of the DIS to a large extent influenced the change in my saving behaviour'</b> | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> |
|--|------------------|----------------|----------------------|
| Completely agree   | 188              | 20.0           | 21.8                 |
| Somewhat agree   | 340              | 36.2           | 39.5                 |
| Somewhat disagree  | 247              | 26.3           | 28.7                 |
| Completely disagree  | 86               | 9.2            | 10.0                 |
| Total  | 861              | 91.8           | 100.0                |
| Missing  | 77               | 8.2            |                      |
| Total  | 938              | 100.0          |                      |

#### **5.4.2.2 Disaggregate**

Question 13 'How did your saving behaviour change following the introduction of the deposit insurance scheme in 2004?' has the nominal data, so in order to determine whether the retail depositors' change in saving behaviour was influenced by the bank they patronised, the Chi-squared test was used.

As only two response options were of interest in this instance, two separate Chi-squared tests were carried out in relation to the response option 'I increased the value of savings account in connection with the introduction of the deposit insurance scheme' and the response option 'My saving behaviour remained unchanged'.

The results of the Chi-squared test in relation to the response option 'I increased the value of savings account in connection with the introduction of the deposit insurance scheme', showed that there is, indeed, a relationship between a bank and an increased value of savings accounts by retail depositors in connection with the introduction of the DIS.

To rank the banks according to the performance of their retail depositors in this response

option,  $\phi$  values were calculated for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\phi$  values, it was possible to rank the banks according to the performance of their retail depositors in this response option (from the highest number of answers to the lowest): 1st – Bank A1, 2nd – Bank B1, 3rd – Bank C1, 4th – Bank D2, 5th – Bank A2, 6th – Bank D1.

The results of the Chi-squared test in relation to the response option ‘My saving behaviour remained unchanged’, showed that there is, indeed, a relationship between a bank and the saving behaviour of retail depositors remaining unchanged.

To rank the banks according to the performance of their retail depositors in this response option,  $\phi$  values were calculated for each bank for each of the response options in this question (as described in Chapter 4).

Based on the results of the additional analysis of  $\phi$  values, it was possible to rank the banks according to the performance of their retail depositors in this response option (from the highest number of answers to the lowest): 1st – Bank A1, 2nd – Bank B1, 3rd – Bank C1, 4th – Bank A2, 5th – Bank D2, 6th – Bank D1.

To establish whether the bank, as an independent variable, influenced the retail depositors’ perception of the influence the introduction of the deposit insurance had on the change in the saving behaviour, and considering the data in Question 14c ‘The introduction of the DIS to a large extent influenced a change in my saving behaviour’ is ordinal, the Kruskal-Wallis test was used.

The results of the Kruskal-Wallis test showed that there is a statistical difference between the banks with respect to the level of retail depositors’ agreement with the statement ‘The introduction of the deposit insurance scheme to a large extent influenced a change in my saving behaviour’.

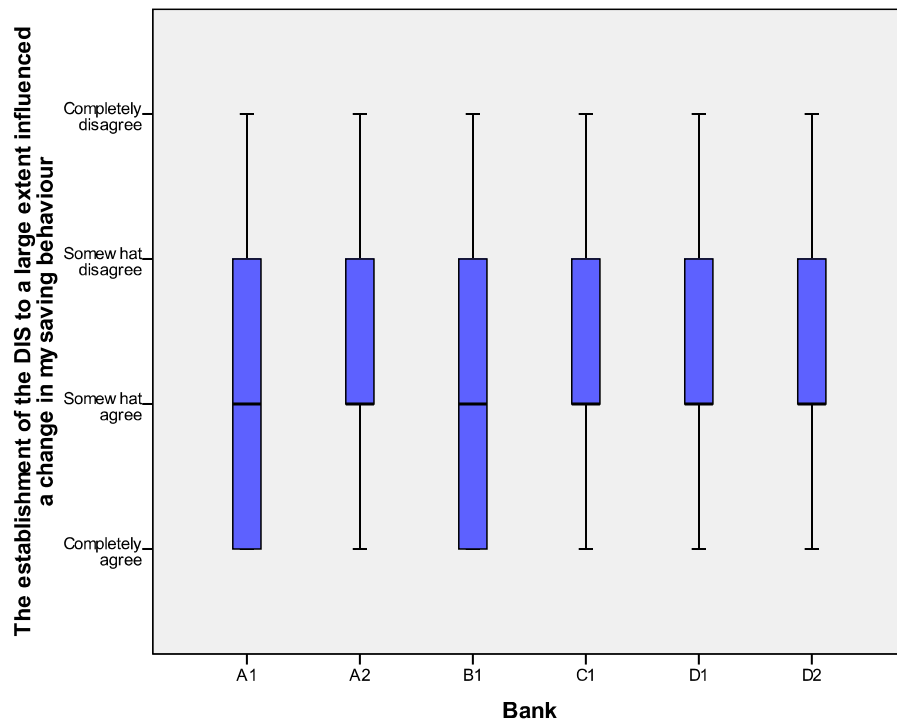
According to the ranks provided as part of the output from the Kruskal-Wallis test, the

banks were ranked in the order of a number of respondents providing positive answers (from the highest to the lowest): 1st – Bank A1; 2nd – Bank B1; 3rd – Bank D1; 4th – Bank D2; 5th – Bank A2; 6th – Bank C1.

The boxplot chart in Figure 5.20 illustrates the significance of the differences between the performance of banks' retail depositors in this question.

**Figure 5.20**

Distribution of responses in relation to a perceived influence of the DIS on changes in retail depositors' saving behaviour, by bank.



As can be seen from Figure 5.20, all banks have their complete range of values, ranging from the response option 'Completely agree' to the response option 'Completely disagree' as well as the median falling onto the response option 'Somewhat agree'. Banks A1 and B1 are the only banks which have their inter-quarter range ranging from the response option 'Completely agree' to the response option 'Somewhat disagree'.

## 5.5 Summary

The results of the quantitative data analysis carried out in this chapter suggest that, based on the results of the aggregate data analysis, on the whole, the DIS has been

successful in meeting two of its stated objectives, Objectives 1 and 2. The majority of retail depositors appear to be more confident in the banking system, and the DIS put in place provides for more protection of retail depositors' rights and legal interests. As for Objective 3, there is not enough evidence to confirm that this objective of the DIS has been met. The majority of retail depositors report no change in their saving behaviour since 2004, and there appears to be no direct link between the introduction of the DIS and the changes in the saving behaviour.

The same data analysed in disaggregate form, based on the bank as an independent variable, reveals a statistically significant difference in survey responses by retail depositors. Why this might be the case is discussed in Chapter 8.

Moreover, retail depositors appear to be confused in terms of their knowledge of the DIS, in particular with regard to its compulsory nature and the institution responsible for the deposit insurance compensation. Retail depositors at some banks appear to be more knowledgeable about the DIS than in other banks.

The link between the results of the quantitative data analysis in this chapter and the results of the qualitative, document and observational data analyses will be discussed in Chapter 8.

## Chapter 6

### Qualitative Data Analysis

*“There are no facts, only interpretations.”*  
–Friedrich Nietzsche (1844-1900)

As indicated in Chapter 1, this study aims to evaluate the Russian DIS by matching its stated objectives with the outcomes observed with the help of several components of the present investigation, including a retail depositor survey, interviews with bank staff, representatives of the judiciary, analysis of further documents, and in-branch observations.

Further to the quantitative data analysis (presented in Chapter 5) and document and observational data analysis (presented in Chapter 7), this chapter focuses on the analysis of the qualitative data gathered during the present investigation.

The interpretation and discussion of the qualitative data takes place in Chapter 8, where it is examined in conjunction with the quantitative data and the document and observational data.

#### 6.1 Description of the Interviews Data

32 interviews were conducted in the period between in March-May 2009.

Of the total number of interviews conducted at the 6 participating banks, 22 interviews were conducted with clerks, 8 interviews with heads of branch and 2 interviews with marketing officers.

The interviews took place in 25 different branches from across Saint-Petersburg, including 13 branches located in the city centre, and 12 branches located in the suburbs.



The total number of interviews was distributed as follows (per bank):

- 1) Bank A1 – 5 interviews, 3 branches (2 in the city centre, 1 in the suburbs)
- 2) Bank A2 – 5 interviews, 3 branches (1 in the city centre, 2 in the suburbs)
- 3) Bank B1 – 5 interviews, 2 branches (1 in the city centre, 1 in the suburbs)<sup>171</sup> and the Head Office
- 4) Bank C1 – 5 interviews, 2 branches (1 in the city centre, 1 in the suburbs)
- 5) Bank D1 – 5 interviews, 2 branches (1 in the city centre, 1 in the suburbs)<sup>172</sup>
- 6) Bank D2 – 7 interviews, 3 branches (2 in the city centre, 1 in the suburbs)<sup>173</sup>

All interviewees were identified in the following way:

$$TN_tPN_p$$

where

T – is the type of the bank<sup>174</sup>;

N<sub>t</sub> – is the number of the bank in the type group;

P – is the position of the interviewee; and

N<sub>p</sub> – is the number of the interviewee in this position in this bank.

As can be seen from Table 6.1 below, there were 21 female and 11 male interviewees.

The length of service of the interviewees varied, with 43.75% of them being employed in their positions at their respective banks between 6 and 12 months, and with 25% being

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<sup>171</sup> In Bank B1, there are only two clerks in each branch, one working with retail depositors and one working with business depositors.

<sup>172</sup> In Bank D1, the head of the chosen branch in the suburbs refused to allow interviews with clerks on an individual basis, and suggested a group interview where the head of branch was present, thus creating an atmosphere of fear amongst the clerks. The head of branch answered all of the questions herself, so this group interview is not analysed as part of this investigation, but the individual interview with the head of branch is analysed.

<sup>173</sup> In Bank D2, all interviews with clerks and heads of branches were handwritten in accordance with the bank's internal policy whereby only interviews with senior management staff are allowed to be recorded. Therefore, the transcripts of these interviews are not as full as from other banks.

<sup>174</sup> A – for network banks, B – for regional banks, C – for Moscow banks, and D – for banks with 100% foreign capital.

employed between 12 months and 1 year. Bank C1 had the greatest number of interviewees with a length of service of less than 6 months, whilst Bank D2 had the greatest number of interviewees with a length of service of over 2 years.

**Table 6.1**

Overview of respondents from 6 participating banks

| Interviewee | Gender | Bank | Branch      | Position              | Length of service <sup>175</sup>           | Length of the interview |
|-------------|--------|------|-------------|-----------------------|--|-------------------------|
| A1C1        | Male   | A1   | Suburbs     | Clerk                 | Between 6 months and 1 year                | 00:09:03                |
| A1C2        | Female | A1   | Suburbs     | Clerk                 | Between 1 and 2 years                      | 00:08:03                |
| A1C3        | Female | A1   | Centre      | Clerk                 | Less than 6 months <sup>176</sup>          | 00:09:28                |
| A1C4        | Female | A1   | Centre      | Clerk                 | Between 1 and 2 years                      | 00:09:03                |
| A1B1        | Male   | A1   | Centre      | Head of Branch        | Between 1 and 2 years                      | 00:34:10                |
| A2C1        | Female | A2   | Centre      | Clerk                 | Between 6 months and 1 year                | 00:17:49                |
| A2C2        | Female | A2   | Centre      | Clerk                 | Between 6 months and 1 year                | 00:10:31                |
| A2C3        | Male   | A2   | Suburbs     | Clerk                 | Between 1 and 2 years                      | 00:19:39                |
| A2C4        | Female | A2   | Suburbs     | Clerk                 | Between 6 months and 1 year                | 00:16:55                |
| A2B1        | Male   | A2   | Centre      | Head of Branch        | Between 1 and 2 years                      | 00:35:41                |
| B1C1        | Female | B1   | Centre      | Clerk                 | Between 6 months and 1 year                | 00:11:52                |
| B1C2        | Female | B1   | Suburbs     | Clerk                 | Between 6 months and 1 year                | 00:07:44                |
| B1B1        | Male   | B1   | Centre      | Deputy Head of Branch | Between 6 months and 1 year                | 00:24:30                |
| B1B2        | Male   | B1   | Suburbs     | Head of Branch        | Between 1 and 2 years                      | 00:23:40                |
| B1M1        | Female | B1   | Head Office | Marketing Officer     | Between 6 months and 1 year                | 00:28:02                |
| C1C1        | Female | C1   | Centre      | Clerk                 | Less than 6 months <sup>177</sup>          | 00:10:00                |
| C1C2        | Female | C1   | Centre      | Clerk                 | Less than 6 months <sup>178</sup>          | 00:09:40                |
| C1C3        | Female | C1   | Suburbs     | Clerk                 | Between 6 months and 1 year <sup>179</sup> | 00:10:05                |
| C1B1        | Male   | C1   | Centre      | Head of Branch        | Less than 6 months <sup>180</sup>          | 00:25:50                |
| C1M1        | Male   | C1   | Head Office | Marketing Officer     | Between 6 months and 1 year                | 00:17:32                |
| D1C1        | Female | D1   | Centre      | Clerk                 | Between 6 months and 1 year                | 00:08:52                |
| D1C2        | Female | D1   | Centre      | Clerk                 | Between 6 months and 1 year                | 00:08:36                |
| D1C3        | Female | D1   | Centre      | Clerk                 | Between 1 and 2 years                      | 00:10:43                |
| D1C4        | Female | D1   | Centre      | Clerk                 | Between 2 and 3 years                      | 00:08:53                |
| D1B1        | Female | D1   | Suburbs     | Head of Branch        | Not recorded                               | Handwritten             |
| D2C1        | Female | D2   | Suburbs     | Clerk                 | Between 6 months and 1 year                | Handwritten             |

<sup>175</sup> In their position in their respective bank at the time of the interview.

<sup>176</sup> Work experience in the bank – almost 2 years, in the position of clerk in that specific branch – 1 month.

<sup>177</sup> Three months.

<sup>178</sup> Four months.

<sup>179</sup> Six months.

<sup>180</sup> Three months in this branch, total experience in the banking system – 15 years.

| Interviewee | Gender | Bank | Branch  | Position       | Length of service <sup>175</sup> | Length of the interview |
|-------------|--------|------|---------|----------------|----------------------------------|-------------------------|
| D2C2        | Male   | D2   | Suburbs | Clerk          | Between 2 and 3 years            | Handwritten             |
| D2C3        | Female | D2   | Centre  | Clerk          | Between 4 and 5 years            | Handwritten             |
| D2C4        | Female | D2   | Centre  | Clerk          | Between 4 and 5 years            | Handwritten             |
| D2C5        | Male   | D2   | Centre  | Clerk          | Between 6 months and 1 year      | Handwritten             |
| D2B1        | Male   | D2   | Suburbs | Head of Branch | Between 1 and 2 years            | Handwritten             |
| D2B2        | Female | D2   | Centre  | Head of Branch | Between 3 and 4 years            | Handwritten             |

Additionally there were two interviews conducted with representatives of the judiciary<sup>181</sup>:

- 1) CC1J1 – judge at the Constitutional Court of Russian Federation (interview conducted on 18 May 2009);
- 2) DC1J1 – judge at one of the district courts in Saint-Petersburg (interview conducted on 19 May 2009).

## 6.2 Findings from the Interviews in Relation to Objective 1 “To Protect Rights and Legal Interests of Banks’ Depositors”

As shown in Table 4.3 in Chapter 4, there are 12 impact indicators related to Objective 1. The impact indicators to be evaluated with the data from the interviews are impact indicators 1.1.2, 1.2.1, 1.2.3, 1.2.4, 1.3.1, 1.3.2, 1.3.4, 1.3.5 and 1.3.6. The remaining indicators are examined in Chapters 5 and 7 and in Sections 6.3 and 6.4 of this chapter.

### 6.2.1 Depositors Are Aware of the Procedures to Follow in Order To Claim Deposits in Excess of the Coverage Provided By the DIS (Impact Indicator 1.1.2)

In order to establish the procedures for claiming the outstanding compensation amount (the amount over the maximum deposit insurance compensation amount), there were two interviews conducted with representatives of the judiciary in Russia – one with a judge from one of the district courts in Saint-Petersburg and one with a judge from the Constitutional Court of Russian Federation.

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<sup>181</sup> Interviews with both judges were handwritten and, therefore, the transcripts of these interviews are not as full as from other interviewees whose interviews were digitally recorded.

The Arbitration Court of Moscow could not provide an interviewee, as the court did not have a panel of judges that dealt with retail deposits under the DIS (as stated in their letter dated 01 March 2009).

In her 15 years of services in the District Court, DC1J1 could not recall any case in which a retail depositor had filed a claim for compensation over the maximum deposit insurance compensation amount. She added that she was not sure how such claims are regulated and, since there is no such practice in the District Court, she did not know how the court would react to such a claim and that she had not heard about such cases at all.<sup>182</sup> She tried to explain the absence of such claims with the fact that there are no banks which are registered (have their legal registered address) in this district of Saint-Petersburg.

DC1J1 stated that the rights of consumers are regulated by the Federal Law “On Protection of Consumer Rights” from 07 February 1992 (as amended) and also noted that if the claim is for less than RUB 100,000, then it should be submitted to the Magistrate Court.<sup>183</sup>

CC1J1 stated that legal rights and interests of retail depositors are regulated in different branches of legislation – by civil legislation, financial legislation and administrative legislation<sup>184</sup>. He stated that there have been no decisions by the Constitutional Court involving retail depositors since 2002,<sup>185</sup> and that the only cases which are dealt with by the court at that moment involved retail depositors with bank accounts opened before 1990.<sup>186</sup>

Both judges were sceptical about the level of financial and legal literacy amongst the Russian population. DC1J1 stated that the financial literacy of Russians is at an absolute zero level,<sup>187</sup> whilst CC1J1 stated that it was difficult for him to judge the level of legal

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<sup>182</sup> “[Таких] исков не было вообще, и чем они регулируются <...>, практики нет, и как мы поступим, я не знаю. <...> даже не слышала о дела по вкладам.” (DC1J1).

<sup>183</sup> “<...> по вкладам до 100 000 тысяч – к мировому <...>.” (DC1J1)

<sup>184</sup> “<...> разные отрасли законодательства: гражданское, финансовое, административное <...>.” (CC1J1)

<sup>185</sup> “С 2002 года никаких решений, принятых судом, не было.” (CC1J1)

<sup>186</sup> “<...> у нас дела по вкладам, открытых до 1990 года.” (CC1J1)

<sup>187</sup> “Уровень финансовой грамотности нулевой абсолютно!” (DC1J1)

and financial literacy, because people, even women, in general, know more about football than about banks.<sup>188</sup>

### 6.2.2 Depositors Know About the Parameters of, And the Process of Compensation Under, the DIS (Impact Indicator 1.2.1)

When asked about the knowledge of depositors about the parameters of and the process of compensation under the DIS (Clerks Interview Question 13), clerks gave varied answers.

Approximately a quarter of clerks indicated that, in their opinion, depositors know about both the parameters and the process of compensation (6 of the 22 clerks – 27.3%).

Whilst A1C2 indicated that it was due to the fact that they have sufficiently qualified personnel, economists by profession, who can adequately explain, D2C2 thought that depositors' knowledge is a function of their being qualified and educated as well as watching TV and reading newspapers.<sup>189</sup>

However, others were of a different opinion – 8 of the 22 (36.4%) thought that there is a clear difference between depositors' knowledge of the parameters of the DIS and their understanding of the process of compensation.

As noted by C1C2, all depositors are well aware of the fact that deposits are insured and that currently the insured amount is RUB 700,000; however, when it comes down to the process of compensation, they are not so knowledgeable.<sup>190</sup>

B1C1 suggests that it can be due to the fact that, in general, when people hear about the amount for which they will undoubtedly be compensated, nothing further interests

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<sup>188</sup> “Трудно судить о юридической грамотности, о финансовой грамотности <...>. О футболе в целом знают больше, чем о банках, даже женщины.” (C1J1)

<sup>189</sup> “Я думаю да, однозначно. Все клиенты квалифицированные, образованные. Все смотрят телевизор, газеты читают.” (D2C2).

<sup>190</sup> “Ну не знаю, насчет порядка работы. Я думаю, что все очень хорошо ознакомлены с тем, что вклады страхуются, и страхуется, допустим, сумма 700 000 рублей на данный момент. Вот здесь они все ознакомлены. А вот именно порядок получения, то я думаю, что не очень.” (C1C2).

them.<sup>191</sup> D2C3 echoes that depositors are interested in the fact that guarantees exist but that they do not inquire into the details of the process by which the scheme operates.<sup>192</sup>

The remaining 8 clerks (36.4%) could not say that all depositors either know or do not know about the parameters of the DIS and the process of compensation. For example, A2C1 pointed out that, since everything is based on trust, then if depositors trust the bank and know that nothing will happen, then only 30% are literate in such matters and would know where to turn in such a case (in case of an insured event).<sup>193</sup> D1C1 noted that many depositors are not interested in this and they take no interest in it,<sup>194</sup> and, as noted by D2C4, in general there are moments which are unfamiliar to depositors.<sup>195</sup>

### Senior Bank Staff Responses

When asked about the knowledge of depositors about the parameters of and the process of compensation under the DIS (Heads of Branches Interview Question 15; Marketing Staff Interview Question 15), the heads of branches and marketing staff gave varied answers.

The response of D2B1 was not recorded.

A1B1 stated that the depositors are well informed about the parameters of and the process of compensation under the DIS. He explained that depositors, in general, ask a minimum number of questions, because they come to a bank knowing what the DIS is.<sup>196</sup> A2B1 echoed this by saying that depositors already come prepared and that they either have no questions at all, or the number of questions is limited. He also added that those who come to deposit their money into a savings account are already prepared; they

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<sup>191</sup> “Потому что, в основном, люди слышат эту сумму, которую им точно возместят, и больше они не вдумываются, в принципе. Я просто знаю общий случай, когда люди слышат об этой сумме и, в принципе, их больше ничего не интересует.” (B1C1).

<sup>192</sup> “Нет, и больше интересует сам факт наличия гарантий, а в детали о порядке работы системы они не вникают.” (D2C3).

<sup>193</sup> “Я думаю, что не очень, потому что это все-таки на доверии основано. Если они, допустим, доверяют банку и знают, что ничего не случится, то порядок их действий, я думаю, только 30% грамотны в этом смысле – куда им обращаться в этом случае.” (A2C1).

<sup>194</sup> “Просто многим это не интересно, и они не интересуются этим.” (D1C1).

<sup>195</sup> “В среднем, я могу сказать, <...> что есть моменты, о которых не знают.” (D2C4).

<sup>196</sup> “Я думаю, что да. В основном клиенты задают минимальный набор вопросов, потому как они до того, как прийти в банк, <...> [знают], что это все-таки такое.” (A1B1).

already know everything and, as a result, the bank staff do not tell them anything specific about the DIS.<sup>197</sup>

The heads of branch from Bank B1 gave different answers. B1B2, the head of branch located in the suburbs, stated that, in his opinion, the depositors are well informed about the DIS (his judgements is based on the answers given by depositors to the survey questionnaire).<sup>198</sup> He also added that, in order to check the depositors' knowledge, something should happen so that depositors would go and use their knowledge. He went further to suggest that, since people have different opinions, it is not possible to know to what extent the depositors fill in the survey questionnaire correctly.<sup>199</sup>

B1B1 – the deputy head of branch located in the centre – said that the knowledge of depositors is based around their self-interest. He explained that depositors are primarily interested in the compensation amount and clearly understand that, at the moment, it is RUB 700,000. However, not all depositors understand the exact process of compensation in case of an insured event, and that is where the gap in the knowledge is. He went further to state that such a gap is it do with the Russian mentality, whereby while there is no problem, Russians do not see it and do not try to foresee it and find out what they would be required to do in case a problem actually occurs.<sup>200</sup>

B1M1, the marketing officer from the Bank B1, stated in her response to this question that not all depositors are well informed. She said that, in all probability, the economically literate depositors who have fairly sizeable savings accounts and who are concerned about their finances are fully informed about how the DIS works. She added

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<sup>197</sup> “Да, я думаю, да. Я так думаю, потому что <...> вопросов у людей <...> либо нет, либо мало. <...> Клиенты идут уже подготовленные. <...> Но мы особо им ничего и не рассказываем. Они приходят и уже все знают. Человек, который приходит отдавать деньги, он уже подготовлен.” (A2B1).

<sup>198</sup> “Думаю, да. Ну, мы начали работать с данными анкетами и, судя по отзывам в этих анкетах, народ осведомлен <...>” (B1B2).

<sup>199</sup> “Ну, опять-таки, понимаете, проверить осведомленность – это значит должно случиться что-то такое, чтобы человек пошел и воспользовался этим. <...> Опять-таки, откуда мы знаем насколько грамотно и правильно человек оформляет данную анкету.” (B1B2).

<sup>200</sup> “Вкладчики, прежде всего, преследуют свой личный интерес. <...> Их личные интересы, в основном, сосредоточены вокруг размера страхового возмещения, то есть они знают четко, что это 700 000, но, к сожалению, не все из них представляют конкретную работу [системы] в случае наступления страхового случая. Вот как бы в этом плане достаточный пробел имеется, но это чисто русский менталитет – пока проблемы нет, человек ее не видит и не пытается ее как-то предвидеть и предугадать, что там нужно будет делать.” (B1B1).

that there is also a category of depositors who are less economically literate, and that they will know about some basic aspects of the DIS, for example the compensation amount, but do not see into it in detail.<sup>201</sup>

Whilst C1B1, the head of branch located in the city centre, stated that depositors are adequately informed and that the parameters of the DIS are not that difficult for the depositors not to know them,<sup>202</sup> C1M1, the senior clerk with responsibilities for marketing from Bank C1, said that the knowledge depends on the depositor, and that all depositors should not be judged to have equal knowledge. He explained that there are people who are fairly educated and are interested in this issue; furthermore, there are depositors who have opened a savings account and are interested in the essence of the DIS, but there are also people who are not interested in this at all. Such people know about the security of the bank, deposit their money and do not pay any attention to the DIS.<sup>203</sup>

D1B1 said that sufficiently large number of depositors know about the DIS because they come to the bank with experience of banking services.<sup>204</sup>

D2B2 stated that depositors might know the maximum compensation amount, but might not know about the process of the compensation and the timings involved.<sup>205</sup> She added that that the level of knowledge depends on whether depositors actually keep deposits in

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<sup>201</sup> “Я думаю, не все. Скорее всего, люди экономически грамотные и имеющие достаточно значительные вклады, которые беспокоятся о своих денежных средствах, они осведомлены о работе системы страхования вкладов на 100%. А категория граждан менее, скажем так, грамотных в экономическом плане, я думаю, что ни знают о системе страхования вкладов, знают о сумме, знают какие-то общие моменты, но именно так детально, думаю, что не разбирались в этом.” (B1M1).

<sup>202</sup> “Я думаю, что в достаточной степени осведомлены. <...> На самом деле не такие сложные параметры, чтобы клиенты о них не знали.” (C1B1).

<sup>203</sup> “Все зависит непосредственно от тех же вкладчиков. Ну, это все индивидуально, нельзя же всех под общую гребенку подвести. Есть люди, которые достаточно образованные и которые интересуются этим вопросом. Есть люди, которым, если они разместили свои денежные средства, интересна сама суть, а есть люди, которым вообще это не интересно. Вот он знает непосредственно надежность банка и размещает свои средства и не обращает внимания вообще никакого на систему страхования вкладов.” (C1M1).

<sup>204</sup> “Достаточно большая часть клиентов знают, потому что приходят с опытом банковских услуг.” (D1B1).

<sup>205</sup> “Могут знать о 700 000, но могут не знать о порядке и сроках.” (D2B2).



the bank whether they take loans. The former – know, whilst the latter – not so much.<sup>206</sup> She also referred to an interesting tendency whereby, before the financial crisis, the majority of the depositors of Bank D2 were more interested in the name of the bank than the DIS, and now there are more advertisements, including advertisements of deposits.<sup>207</sup>

### 6.2.3 Depositors' Questions about the DIS Are Less Basic and More Specific (Focused) (Impact Indicator 1.2.3)

The clerks were asked to recall how many of their 10 most recent customers (who came to the branch for whatever reason, e.g. to renew the savings account, to get information on the interest rates etc.) asked questions about the DIS (Clerks Interview Question 9).

The numbers are presented in Table 6.2 below.

**Table 6.2**

Clerks' view of retail depositors' questions on the DIS.

| Clerk | Number of customers (of 10) | Comments   |
|-------|-----------------------------|--|
| A1C1  | 3                           |  |
| A1C2  |                             | Answer not recorded                              |
| A1C3  | 2                           | There were only 2 customers, which makes it 100% |
| A1C4  |                             | Could not recall                                 |
| A2C1  | 0                           |  |
| A2C2  | 0                           |  |
| A2C3  | 1                           |  |
| A2C4  | 1-2                         |  |
| B1C1  | 5                           |  |
| B1C2  | 0                           |  |
| C1C1  | 2-3                         |  |
| C1C2  | 0                           |  |
| C1C3  | 0                           |  |
| D1C1  | 5                           |  |
| D1C2  | 5                           |  |
| D1C3  | 0                           |  |
| D1C4  | 5                           |  |
| D2C1  |                             | Could not recall                                 |
| D2C2  | 5                           |  |

<sup>206</sup> “Те клиенты, которые действительно держат средства – да, а те, кто берут кредиты – я бы с такой уверенностью не говорила.” (D2B2).

<sup>207</sup> “Интересная тенденция: если до кризиса большинство клиентов менее интересовала система страхования вкладов, только имя <...>, то теперь рекламы больше, рекламы вкладов.” (D2B2).

|      |   |  |
|------|---|--|
| D2C3 | 1 |  |
| D2C4 | 1 |  |
| D2C5 | 7 | If originally the information was given orally; if it was given on paper, then 5-6 |

There is no consistency in the numbers, which may suggest that there is no general tendency. However, Banks B1, D1 and D2 showed the highest number of questions (of 10 recent customers) overall.

When asked about the nature of questions customers usually ask about the DIS (Clerks Interview Question 14), clerks gave varied answers. A2C3 noted that the order of depositors' questions is as follows: the membership of the bank in the DIS, which is the most common question, then the maximum compensation amount and whether their amount will be covered, and then how quickly can the compensation take place.<sup>208</sup>

The most frequent question (recalled by 13 of the 22 clerks – 59.1%) is about the bank's membership in the DIS, with the wording ranging from “Is it true that deposits/savings accounts are protected?” (as noted by A1C1<sup>209</sup>) to “Is the bank a member of the deposit insurance scheme?” (as noted by D1C2, who also added that depositors, in principle, know about the compensation amount).<sup>210</sup>

Clerks noted that some depositors ask about the bank's membership in the DIS as the first question among many, while others are interested only in the fact of membership. A1C4 noted that retired persons (pensioners) very often – several times – ask whether savings accounts are protected, however they do not go into details. A1C4 believed that, for them, the fact of savings account/deposits being insured, already gives substantial guarantees.<sup>211</sup>

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<sup>208</sup> “Они спрашивают, застрахованы ли вклады – это самый распространенный вопрос, максимальная сумма – подпадает ли их сумма под страховую выплату и как скоро можно получить деньги назад.” (A2C3).

<sup>209</sup> “Правда ли, что застрахованы вклады?” (A1C1).

<sup>210</sup> “Их интересует, входит ли банк в систему страхования вкладов. О суммах застрахованных вкладов, в принципе, они все знают.” (D1C2).

<sup>211</sup> “Пенсионеры очень часто спрашивают, по несколько раз – застраховано или нет. В подробности не вдаются. Для них сам момент, что вклад застрахован, уже дает гарантии большие.” (A1C4).

Only clerks from Banks A1, A2, D1 and D2 recalled questions regarding bank's membership in the DIS, while clerks from Banks B1 and C1 did not indicate this type of questions.

The second most common question is about the maximum compensation amount (recalled by 11 of the 22 clerks – 50%). The questions are either generic or more concrete. Generic questions include those asking about the actual amount, including the questions like “Is in your bank the same as in others?”<sup>212</sup> More concrete questions referred to the situations in which there was an increase in the compensation amount and depositors came to the bank branch to clarify the amount. A1C2 recalls that whilst, in general, depositors are interested whether anything has been changed, whether the compensation amount has not been decreased or increased,<sup>213</sup> after the changes of October 2008, there were rumours that the compensation amount may be increased further from RUB 700,000 to RUB 1,000,000, and depositors came to find out whether the rumours were true.<sup>214</sup> D2C3 echoes this, saying that when there was a change from RUB 100,000 to RUB 400,000, some depositors were not sure what the actual compensation amount was, and were visiting the bank branch to find out.<sup>215</sup>

The third most common questions is the general question about the process of compensation under the DIS (recalled by 5 of the 22 clerks – 22.7%), where depositors wanted to be told about the process and how quickly they can get their money back. A1C1 noted that depositors ask exclusively about the process of compensation,<sup>216</sup> whilst A1C4 said that depositors with amounts in their savings account higher than the maximum compensation amount are very interested in the process of compensation.<sup>217</sup>

The fourth most common question is the specific question about the process of compensation – 3 of the 22 clerks (13.6%) recalled depositors asking situation-based

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<sup>212</sup> “<...> кто-то не в курсе о сумме и спрашивают «А у вас также как у всех?»” (D2C5).

<sup>213</sup> “Интересуются, в основном, не отменили ли что-то, не снизили ли сумму страхования, не повысили.” (A1C2).

<sup>214</sup> “Не повысилась ли сумма с 700 000 до 1 000 000, потому что слухи такие ходили и люди пришли узнать.” (A1C2).

<sup>215</sup> “Когда меняли с 100 000 до 400 000, некоторые не были уверены, сколько сумма и приходили в банк узнать.” (D2C3).

<sup>216</sup> “Порядок выплат – исключительно.” (A1C1).

<sup>217</sup> “Очень интересуются порядком выплат клиенты, у которых сумма вклада больше, чем сумма страхового возмещения.” (A1C4).

questions. For example, D1C4 noted that the most frequent question is about the compensation amount if a depositor has two savings accounts in two different banks, each for the maximum compensation amount of RUB 700,000, would the compensation be calculated cumulatively or separately by each bank.<sup>218</sup> A1C4 noted that depositors' very first question is whether the bank is a member of the scheme, and then they ask how much compensation they will receive if they have savings accounts in different banks, or if they divide the amount between two saving accounts – one for the husband and one for the wife.<sup>219</sup>

Other questions included requests to show the certificate of membership in the DIS (recalled by D2C2, 1 of the 22 clerks), requests to show the licence for banking activity (recalled by A1C1, 1 of the 22 clerks), questions about which Federal Law regulates the DIS and where can they see the copy of it (recalled by 2 of the 22 clerks, D2C4 and C1C1), questions about the contract of the savings account and the right of the bank to change the conditions of the contract (recalled by C1C1, 1 of the 22 clerks), questions about the history (recalled by A1C1) and stability of the bank (recalled by D1C1), and questions about where in the branch depositors can find information about the DIS (recalled by D2C4).

When asked to describe the depositors who ask questions about the DIS, there were two main groups, indicated by most of the clerks (see Table 6.3). As recalled by C1C2 these two main groups are depositors with large amounts on their saving accounts and pensioners (retired persons), who are very worried about their savings.<sup>220</sup>

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<sup>218</sup> “Ну, вот у меня самый частый вопрос, который они задают: если <...> в этом банке у них будет сумма 700 000 и в другом банке будет сумма 700 000, то <...> они получают только 700 000 – это будет совокупно складываться – или они от каждого банка получают по 700 000?” (D1C4)

<sup>219</sup> “Самый первый вопрос – входим ли мы в систему, потом спрашивают, если в разных банках открыты вклады и если наступит страховой случай – какие будут возмещения, или если у него и у жены вклады открыты.” (A1C4)

<sup>220</sup> “Наверно, скорее всего, задают вопросы люди, у которых крупная сумма, и пенсионеры, которые, видимо, очень беспокоятся о своих сбережениях.” (C1C2)

**Table 6.3**

Main groups of retail depositors who ask questions about the DIS

| Clerk | Depositors who ask questions  | Comments   |
|-------|---|--|
| A1C1  | Elderly people <sup>221</sup>   |  |
| A1C2  | Retired people <sup>222</sup><br>Business men                               |  |
| A1C3  | Retired people  |  |
| A1C4  | Retired people<br>Depositors with large amounts                             |  |
| A2C1  |   | Answer not recorded                                |
| A2C2  | Elderly people  |  |
| A2C3  | Pre-retirement age (50 years old)<br>Retired people<br>Women <sup>223</sup> |  |
| A2C4  |   | Answer not recorded                                |
| B1C1  | Retired people  |  |
| B1C2  |   | Said that no one asks questions <sup>224</sup>     |
| C1C1  | Elderly people  |  |
| C1C2  | Retired people<br>Depositors with large amounts                             |  |
| C1C3  |   | Said that no one asks questions                    |
| D1C1  | Women with husbands who are foreigners <sup>225</sup>                       |  |
| D1C2  | All/Everybody <sup>226</sup>  |  |
| D1C3  |   | Said that no one asks questions                    |
| D1C4  | Elderly people  |  |
| D2C1  | Depositors with large amounts in different banks<br>Elderly people          |  |
| D2C2  |   | Recalled an example of a woman of a retirement age |

<sup>221</sup> The Russian word used was ‘пожилые’.<sup>222</sup> The Russian word used was ‘пенсионеры’.<sup>223</sup> “В основном, женский пол у нас вклады открывает.” (A2C3)<sup>224</sup> In answer to Question 7 (about the stage at which they inform depositors about the DIS), said that retired people with small amounts ask about the DIS at the stage of opening the savings account in the contrast with people with big amounts who surely already knows everything.<sup>225</sup> “Возможно, женщины, у которых мужья иностранцы. Вот у меня такое представление.” (D1C1)<sup>226</sup> “Особенности не наблюдала, в принципе, разных возрастов. Интересуются все.” (D1C2)

| Clerk | Depositors who ask questions         | Comments   |
|-------|--------------------------------------|--|
|       |                                      | who only recently returned to Russia from the USA <sup>227</sup> |
| D2C3  |                                      | Answer not recorded  |
| D2C4  | Pre-retirement age<br>Retired people | 45-60 years old  |
| D2C5  | Older than 40 years old              |  |

B1C1 believes that retired people ask questions about the DIS, because they have already been deceived by the state, when all accounts at Sberbank were frozen, and in comparison, young people, basically, are not afraid yet, they have not “burnt themselves” yet.<sup>228</sup>

D1C4 thinks that retired people ask more questions because they do not have access to the Internet, as young people do, and they are unlikely to read the Federal Law so they ask in the bank.<sup>229</sup>

However, A1C3 noted that retired people, who come to their bank are prepared in terms of the DIS as they have more than one savings account.<sup>230</sup>

### Senior Bank Staff Responses

When asked about the questions that depositors ask (Heads of Branches Interview Question 16; Marketing Staff Interview Question 16), the heads of branch and marketing staff gave the following answers.

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<sup>227</sup> “Самый явный пример – женщина пенсионного возраста, лет 55, вернулась обратно в Россию из Америки, просила копию свидетельства. Я ей подарила наклейку на память.” (D2C2)

<sup>228</sup> “Люди пенсионного возраста, в основном, старше 55 лет <...>. Наверное, потому, что когда-то наша страна их уже однажды обманула, заморозив вклады того же Сбербанка. <...> Молодежь, в основном, как-то, еще не боится, наверно, не обожглась.” (B1C1)

<sup>229</sup> “<...> они спрашивают, в основном, потому, что молодые люди могут получить неограниченный доступ к этому, например, посредством Интернета или ее как-то, <...> и они все вопросу могут без нас посмотреть. Люди в возрасте, у них просто нет таких возможностей, закон они читать тоже вряд ли будут, поэтому они больше интересуются.” (D1C4)

<sup>230</sup> “<...> они были такие подготовленные люди. У них не один вклад уже существует, не только в нашем банке, <...> не впервые сталкиваются с вкладами, и были достаточно осведомлены, несмотря на то, что они пенсионеры.” (A1C3)

A1B1 stated that, whilst the amount of questions depositors ask is decreasing because people get more advanced in this area, the main question still remains whether the bank is a member of the scheme.<sup>231</sup> He also mentioned (referring to the previous changes in the parameters of the DIS when the compensation amount was increased from RUB 100,000 to RUB 400,000) that some depositors did not know about the changes at all, and those depositors who knew would ask the bank staff to calculate the compensation amount for their savings accounts, because they were not sure about the compensation amount on their individual deposits<sup>232</sup> due to the rule whereby 100% of the first RUB 100,000 of deposits was fully protected, then 90% of the remainder of deposits but not more than RUB 400,000 in total.

D2B1<sup>233</sup> and D2B2 also mentioned that the question about membership in the DIS is either by far the most common or the only question that depositors ask (respectively). D2B2 added that those depositors, who initiate such conversations, are well informed about the scheme and, if bank staff answer positively, they even ask for a proof and sometimes try to catch the bank staff by asking about the compensation amount<sup>234</sup>.

B1B1 suggested obtaining such information from the clerk and added that, based on the depositors he works with personally, because they generally come via the bush telegraph, that is, he is recommended by people, and they do not have any questions about the DIS.<sup>235</sup>

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<sup>231</sup> “Непосредственно на данный момент уже количество вопросов уменьшается, люди становятся все более продвинутыми, так скажем, в этом направлении <...>.” (A1B1).

<sup>232</sup> “Вот изначально, когда были изменения, некоторые клиенты вообще не знали, то есть они спрашивали. С чем были вообще связаны изменения. Некоторые клиенты знали, что изменения были, и они спрашивали информацию о том, какая сумма и какой процент возмещения. <...> Тогда они просили рассчитать, как у них будет. Какие у них будут выплаты <...>, чтобы они были уверены.” (A1B1).

<sup>233</sup> “Спрашивают «А вклады застрахованы?», других вопросов бывает редко.” (D2B1).

<sup>234</sup> “Только – входит ли банк в систему страхования или нет. Те, кто инициирует разговор, хорошо знают и, если ответ «да», то спрашивают показать доказательство, пытаются подловить на сумме гарантии.” (D2B2).

<sup>235</sup> “Ну, в принципе, такую информацию, конкретно, мы можем узнать уже у нашего операциониста. По тем клиентам, которые со мной общаются, – это, в основном, сарафанное радио, то есть, люди меня рекомендуют и, в принципе, вопросов по системе страхования вкладов у них не возникает.” (B1B1).

B1B2 said that in, general, there are two questions depositors ask, whether the deposits are insured and what the bank's registration number is, so that they can check it in the register of the banks-members of the DIS.<sup>236</sup>

C1B1 mentioned questions about the parameters of the DIS and about how quickly compensation will take place. He also noted that, recently, depositors have been asking about the conditions for savings accounts to be protected under the DIS, because they have heard or read about that, in some circumstances, the DIA has been contesting the savings accounts, which were deposited right before the decision to announce the bankruptcy of the bank or to revoke the license. That is why depositors have been interested about this.<sup>237</sup>

D1B1 stated that there were no cases of depositors asking whether the bank is a member of the DIS.<sup>238</sup> She explained that some depositors, who bring money from other banks, already know about the DIS and they are well aware of the parameters and the mechanism of the compensation.<sup>239</sup>

Marketing staff gave opposite responses to this question. Whilst B1M1 said that the only question the depositors ask is whether the bank is a member of the DIS.<sup>240</sup> C1M1 stated that the depositors who come to the bank constantly are well informed and very rarely ask questions.<sup>241</sup> Those who come for the first time may ask questions, but they will surely know that the bank is a member of the DIS because they come to the bank after

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<sup>236</sup> “В основном, два вопроса: «Застрахованы ли вклады?» и номер регистрационный, «А вдруг вы нас обманули, а мы проверим».” (B1B2).

<sup>237</sup> “Они как раз задают вопросы из серии о параметрах возмещения, как быстро будет возмещено, при каких условиях их вклад попадает в систему страхования вкладов, потому что последнее время они слушают и читают, что в некоторых случаях Агентство по страхованию вкладов пытается оспорить некоторые вклады, размещенные в банке накануне принятия решения о банкротстве или отзыва лицензии, поэтому вот это всех интересует, конечно.” (C1B1).

<sup>238</sup> “Не было случаев, когда бы спрашивали «А вы являетесь участником системы страхования вкладов?».” (D1B1).

<sup>239</sup> “Часть клиентов, которые приносят деньги из других банков, уже знают, им механизм понятен.” (D1B1).

<sup>240</sup> “Включен ли банк в систему страхования вкладов и, в принципе, все.” (B1M1).

<sup>241</sup> “Скажем так, из тех клиентов, которые постоянно к нам ходят, они проинформированы и редко достаточно спрашивают.” (C1M1).



having seen an advertisement on the Internet, a flyer or a billboard advertisement, on which the logo of the DIS is always displayed.<sup>242</sup>

The heads of branch were also asked to recall how many depositors ask for additional information on the DIS in an ordinary calendar month (Heads of Branch Interview Question 17).

A1B1 found it difficult to give a response to this question. He suggested putting this question to the clerks since he does not work with all depositors in the branch.<sup>243</sup>

Whilst A2B1 said in his response to Question 15 (see above) that, generally, depositors either do not have any questions about the DIS at all, or very few questions, in his response to Question 17. However, he recalled 3 depositors asking questions in an ordinary calendar month and stated that there were interested in finding out if their money would be refunded should the bank fail. He affirmed that, of all the questions that depositors ask, this one is the only one which stays sharply. Other questions relate to the compensation amount. For example, depositors ask, if they have RUB 650,000 in their account, will the full amount be covered or not.<sup>244</sup>

B1B2 recalled 1 or 2 depositors asking for additional information maximum and said that they were interested in the process of compensation and where they could receive a compensation payment in case something happens.<sup>245</sup>

D2B2 indicated that of 10 depositors, 7 will ask whether the bank is a member of the DIS. She pointed out that such people purposefully visit all banks and find out about their

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<sup>242</sup> “Интересуются, но дело в том, что клиент, который пришел с улицы, по рекламе непосредственно, он обязательно будет знать, что банк входит в систему страхования вкладов, потому что либо реклама в сети Интернет, либо листовка, либо наружная реклама, где обязательно будет стоять знак о системе страхования вкладов.” (C1M1).

<sup>243</sup> “Затрудняюсь ответить. <...> Вам, наверно, проще экономисты ответят на этот вопрос, потому что я не со всеми клиентами работаю.” (A1B1).

<sup>244</sup> “Может быть, трое, максимум. Их интересует только одно – в случае, если банк обанкротится, нам вернут наши деньги? Если брать многие вопросы, то этот вопрос единственный, которые стоит остро. Другие вопросы по суммам: а вот у нас 650 000, и нам все 650 000 вернут?” (A2B1).

<sup>245</sup> “Один или два максимум. Их интересует процесс и где они могут получить в случае чего деньги.” (B1B2).

deposit interest rates and whether the bank is a member of the DIS.<sup>246</sup> D2B1, on the other hand, only recalled 1 depositor asking for additional information about the DIS.<sup>247</sup>

The responses of C1B1 and D1B1 to this question have not been recorded.

When asked to describe the depositors who ask questions about the DIS (any particularities) (Marketing Staff Interview Question 16b; Heads of Branch Interview Question 17b), the heads of branch gave the following answers.

A1B1 said that depositors who ask questions about the depositor insurance scheme are mainly 30 years old or older. He added that the possible reason for their questions is the fact that they, to a higher degree than the current generation, were faced with the catastrophe when the population lost their savings and therefore this is more topical for them.<sup>248</sup>

A2B1 stated that people over 40 years old ask more questions, because they are more cautious about their savings and want reassurance. He added that people below the age of 30-35 years old, are more confident and know that if the bank is a member of the DIS, no questions need to be asked because everything is clear.<sup>249</sup>

B1B2 stated that these were people of advanced age and one can understand them, because the young people, on the contrary, are more progressive, they primarily watch ratings, popularity and conditions and they are not interested in the DIS as such.<sup>250</sup>

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<sup>246</sup> “Из 10 – человек семь спросят, входит ли банк в систему страхования вкладов или нет. Они целенаправленно обходят все банки, узнают ставки по депозитам и узнают, входит ли банк в систему страхования вкладов.” (D2B2).

<sup>247</sup> “Максимум один человек в месяц.” (D2B1).

<sup>248</sup> “В основном, это люди в возрасте от 30 лет и старше. Ну, они все-таки в большей степени, чем мы, столкнулись с той <...> катастрофой, которая была у нас, когда <...> у населения уже были какие-то сбережения, которые они потеряли, поэтому для них это в большей степени актуально.” (A1B1).

<sup>249</sup> “Люди до 40 лет спрашивают больше. [Они] более кропотливо относятся к свои суммам, перестраховываются. Молодые, до 30-35 лет, они более уверены. Если банк находится в системе страхования вкладов, можно не спрашивать, и так все понятно.” (A2B1).

<sup>250</sup> “Да, в основном, это люди преклонного возраста <...>, их тоже можно понять. <...> Молодежь – она более прогрессивна и она не задается такими вопросами, они смотрят на рейтинги, на популярность и условия. <...> Сама система страхования вкладов как таковая их мало интересует <...> в отличие от пенсионеров тех же самых.” (B1B2).

D1B1 also referred to the category of elderly people and said that it is more complicated with them, because the information needs to be explained to them.<sup>251</sup>

C1B1 explained that whether depositors ask additional questions or not depends on the amount in their savings account. He said that the depositors who deposit considerable amounts, i.e. sums approaching the maximum compensation amount, usually know everything and do not ask questions. As for the depositors who so to say count every penny, they deposit lesser amounts and this is indeed the category of depositors which ask questions.<sup>252</sup>

C1M1 said that the people who are more interested are most likely to be people of middle age and, in terms of social standing, to be middle class,<sup>253</sup> whilst D2B1<sup>254</sup> and D2B2<sup>255</sup> stated that, generally, these are people of an older age group and retired people respectively.

#### 6.2.4 Depositors Have Been Made Aware of the Protection of Their Rights and Legal Interests (Impact Indicator 1.2.4)

Given that the responses to the questions about the outcome of the deposit insurance reform in Russia, and the extent to which the objectives of the reform have been achieved, an overview of the bank operations and the status of the banking sector in general is required, only senior bank staff – heads of branch and marketing staff were asked to comment on whether depositors are legally protected (Heads of Branch Interview Question 18, Marketing Staff Interview Questions 17) and whether the depositors now – after the establishment of the DIS – are more aware of their rights as depositors (Heads of Branch Interview Question 18a, Marketing Staff Interview Question 17a).

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<sup>251</sup> “С категорией пожилых людей посложнее, <...> им надо [всё] объяснять.” (D1B1).

<sup>252</sup> “Я думаю, что вкладчики, которые размещают значительные денежные средства, то есть приближающиеся к сумме гарантированной, те обычно всё знают и вопросы не задают. А вкладчики, которые <...> размещают меньшие средства, <...> [у которых] каждый рубль, скажем, на счету, вот эта как раз та категория, которая задает вопросы: «А как? А что?».” (C1B1).

<sup>253</sup> “Наверно, это более среднего возраста <...> люди. По социальному положению средний класс, наверно, больше интересуется этим.” (C1M1).

<sup>254</sup> “[Это] старшая возрастная группа.” (D2B1).

<sup>255</sup> “В основном, пенсионеры.” (D2B2).

All 8 heads of branch and 2 marketing officers stated that the DIS protects the legal rights and interests of depositors. When prompted, B1B2 explained his opinion by reference to the long-term functioning of the DIA in Russia and to the experience of his acquaintances who have been receiving compensation in the past.<sup>256</sup> C1M1 echoed this by stating that the DIS protects depositors, because the DIA compensates the loss caused by the bank and, since it compensates, it takes into consideration the interests of depositors.<sup>257</sup> To explain his opinion, D2B1 referred to the experience of his family who have quite quickly received compensation in the past.<sup>258</sup> C1B1 said that he follows attentively the conditions of the banking system and knows the cases when the banking license has been revoked, and that compensation always started within the time frame set by the DIA.<sup>259</sup> D1B1 stated that the comparison on the level of protection now with that of many years ago is like the comparison between night and day. She added, though, that big depositors should be aware that the compensation amount is capped.<sup>260</sup> Whilst on the whole agreeing that the DIS protects the rights and legal interests of depositors, D2B2 mentioned there is no limit to perfection and that there should not be any cap on the compensation amount, and currency exchange risks should be taken into account.<sup>261</sup>

When asked to comment on whether depositors know more about their rights now than before the introduction of the DIS, most of the respondents (6 heads of branch and 1 marketing officer<sup>262</sup>) said that the depositors' knowledge of their rights as depositors has increased.

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<sup>256</sup> “Многолетний опыт работы АСВ и я лично знаю людей, которые получали возмещение по вкладам.” (B1B2).

<sup>257</sup> “Потому что защищает. [Агентство] же возмещает ущерб, нанесенный банком непосредственно вкладчику, а раз возмещает, соответственно, учитывает интересы вкладчиков.” (C1M1).

<sup>258</sup> “Защищает. Мою семью коснулась ситуация – достаточно быстро получили возмещение.” (D2B1).

<sup>259</sup> “Я внимательно слежу за состоянием банковской системы, поэтому знаю случаи, когда отзывалась банковская лицензия, и как раз в сроки, установленные Агентством по страхованию вкладов, начиналось возмещение денежных средств в пределах 700 000.” (C1B1).

<sup>260</sup> “Безусловно, конечно! Если сравнить с годами назад – день и ночь. Крупным вкладчикам надо знать о том, что сумма ограничена.” (D1B1).

<sup>261</sup> “В целом, да, но нет предела совершенству. До сих пор есть ограничения по сумме, а также не учтены валютные риски.” (D2B2).

<sup>262</sup> The response of B1M1 to this question was not recorded.

A1B1 found it difficult to give an objective response to this question, however, he mentioned that depositors are fairly informed and the population is growing wiser and wiser.<sup>263</sup>

A2B1 said that depositors definitely know more now.<sup>264</sup> B1B1 stated that the depositors know considerably more now than before because, especially under the financial crisis conditions, people started collecting information from everywhere, and the level of their awareness improved.<sup>265</sup> D2B1 agreed, stating that the protection of depositors' rights and legal interests is a very important question for many at present.<sup>266</sup>

B1B2 justified his opinion about the increase in the depositors' knowledge of their rights by comparing the current situation with the Soviet era when there was only one bank to which people could go, and it dealt with all sorts of financial products and services, ranging from deposits to utility payments. He said that, at that time, people were told to open savings accounts and they were not concerned and that now the situation is different.<sup>267</sup> D2B2 also indicated that in 2005, people did not know whether or not their money was protected and now almost everyone asks about this.<sup>268</sup>

C1M1 referred to the fact that depositors began to get more interested and, whilst they have always been interested in the conditions of the bank account contract, with the introduction of the DIS, they have naturally more questions.<sup>269</sup>

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<sup>263</sup> “Я не смогу объективно ответить на этот вопрос <...>. Сейчас они достаточно информированы. У нас население умнеет и умнеет <...>.” (A1B1).

<sup>264</sup> “Однозначно, больше сейчас.” (A2B1).

<sup>265</sup> “<...> я думаю, значительно знают больше, чем раньше. Потому что сейчас, в условиях кризиса, люди стали собирать информацию отовсюду, и информированность стала лучше.” (B1B1).

<sup>266</sup> “Сейчас для многих это важный вопрос.” (D2B1).

<sup>267</sup> “Да. Далеко [за примером] ходить не надо. Возьмем недавний некий большой всем известный банк, куда шли все, начиная от пенсионеров и заканчивая коммунальными платежами. <...> [Им] на работе сказали завести себе книжку, [они] пошли и завели, их мало трогало <...>” (B1B2).

<sup>268</sup> “Думаю, что да. Когда я сама работала в 2005 году, люди <...> не знали, защищены ли их средства, а теперь спрашивает почти каждый.” (D2B2).

<sup>269</sup> “Они стали больше интересоваться. <...> Этим всегда клиенты интересовались, а с системой страхования вкладов, естественно, вопросов стало больше.” (C1M1).

### 6.2.5 Banks Use Reference to the DIS to Attract New Depositors (Impact Indicator 1.3.1)

In order to assess how banks use the fact of their membership in the DIS (if at all) to attract depositors, the senior bank staff were asked three separate questions.

The first question was aimed at finding out which methods the banks use to attract new depositors (Heads of Branch Interview Question 5; Marketing Staff Interview Question 5) (see Table 6.4), and if senior bank staff did not mention it themselves, they were prompted to say what role their membership in the DIS plays in attracting new depositors (Heads of Branch Interview Question 5a; Marketing Staff Interview Question 5a).

The second question was aimed at finding out which methods the banks use to increase the amounts on accounts of existing depositors (Heads of Branch Interview Question 6; Marketing Staff Interview Question 6) and what role, if any, does the membership in the DIS play in this situation (Heads of Branch Interview Question 6a; Marketing Staff Interview Question 6a).

Finally the senior bank staff were asked what the determining factors are for depositors in choosing their bank (Heads of Branch Interview Question 11; Marketing Staff Interview Question 11) and, if not already mentioned, whether their bank's membership in the DIS is one of them (Heads of Branch Interview Question 11a; Marketing Staff Interview Question 11a).

In response to the question regarding the methods banks use to attract new depositors, A1B1 stated that Bank A1 uses targeted advertising, existing clients' contacts, personal contacts, flyers on the street as well as a bush telegraph system.<sup>270</sup> When prompted, he noted that, for VIP depositors who have in their savings account more than the maximum compensation amount, the bank's membership in the DIS does not play as big a role as,

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<sup>270</sup> “Это уличное привлечение, это реклама. <...> Опять же, есть такое понятие как «сарафанное радио», то есть это клиенты узнают друг от друга. Это опять же знакомые, с которыми непосредственно я работаю. Работаю со своими клиентами, которые мне дают какие-то контакты.” (A1B1).

for example, special customer service.<sup>271</sup> As for normal depositors, he said that the introduction of RUB 700,000 as a new maximum compensation amount was a big stimulus for depositors to open new savings accounts.<sup>272</sup> Finally, he added that all people are different and that one must not generalise as to what is the determining factor for depositors.<sup>273</sup>

**Table 6.4**

Methods used by banks in order to attract new depositors

| Methods  | Senior Staff |      |      |      |      |      |      |      |      |      |       |
|--|--------------|------|------|------|------|------|------|------|------|------|-------|
|  | A1B1         | A2B1 | B1B1 | B1B2 | B1M1 | C1B1 | C1M1 | D1B1 | D2B1 | D2B2 | Total |
| Flyers on the street/come from the street                                      | +            | +    |      |      |      |      |      | +    |      | +    | 4     |
| Targeted advertising (including newspapers, Internet, radio, public transport) | +            | +    | +    |      | +    | +    |      |      |      |      | 5     |
| Bush telegraph   | +            |      | +    |      |      |      |      |      |      |      | 2     |
| Existing clients' contacts/recommendations                                     | +            |      |      |      |      |      |      |      | +    | +    | 3     |
| Big range of savings accounts/special offers on other banking products         |              | +    |      |      |      |      |      | +    |      |      | 2     |
| DIS information on marketing materials   |              |      | +    |      | +    | +    | +    |      |      |      | 4     |
| Personal contacts  | +            |      |      | +    |      | +    |      |      |      |      | 3     |
| Advertising actions (including presents for depositors and joint actions)      |              |      |      | +    | +    |      |      | +    |      | +    | 4     |
| Direct sales/cold calls  |              |      |      |      | +    |      |      |      |      | +    | 2     |
| Corporate clients' employees   |              |      |      |      |      | +    |      | +    |      |      | 2     |

When asked about the determining factors for depositors to choose Bank A1, A1B1 stated that there are two factors – interest rates and the quality of customer service.<sup>274</sup>

<sup>271</sup> “<...> VIP-клиенты высокого уровня, у которых храниться свыше страховой суммы, для них это играет не такую большую роль как, допустим, VIP обслуживание.” (A1B1).

<sup>272</sup> “А для простых клиентов, когда ввели 700 000, для них это было большим стимулом для открытия новых вкладов.” (A1B1).

<sup>273</sup> “<...> люди все настолько разные, что обобщать нельзя, что именно является решающим фактором [для них].” (A1B1).

<sup>274</sup> “Ставки и качество обслуживания.” (A1B1).

When prompted, he agreed that the bank's membership in the DIS is another important factor. He said that nowadays, when *practically every bank* is a member of the DIS, people find out whether the bank is a member of the scheme even before they come to the branch.<sup>275</sup>

A2B1 stated that Bank A2 also uses targeted advertising and distributes flyers on the street to attract depositors.<sup>276</sup> However, he stressed that it is difficult to attract new depositors from the street, because interest rates, in principle, are the same everywhere. He said that the most important factor in the process of attracting new depositors is having a wide range of savings accounts and that Bank A2 has a variety of savings accounts for any depositor and for any need – from savings accounts with non-reducible balances to seasonal savings accounts with higher interest rates and to special savings accounts for retired people.<sup>277</sup> When asked how Bank A2 uses the fact of its membership in the DIS, A1B1 pointed out that, whilst they display information on the depositor insurance scheme everywhere in the branch and fully inform depositors about the scheme, he lays emphasis on the fact that 98% of Bank A2's shares now belong to the state (via a state corporation), which makes it a stable bank.<sup>278</sup>

Questioned about the determining factors for depositors to choose Bank A2, A2B1 stated that the most important factor for depositors is the interest rate because, in principle, it does not make any difference to depositors where they open a savings account if the amount is protected, but the interest rate in one bank is 13% and in another, 14.5%<sup>279</sup>.

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<sup>275</sup> “Конечно. Вот сейчас, на самом деле, уже практически каждый банк является членом системы страхования вкладов, но вот фактор, что мы являемся уже членом – он играет, конечно, большую роль. Люди непосредственно перед тем, как идут в банк, они уточняют информацию о том, являемся ли мы членом.” (A1B1).

<sup>276</sup> “Бывает, волонтеров каких-то [поставим] внизу у подъезда, которые раздают наши буклеты с информацией по вкладам. До этого у нас была целевая реклама <...> и в метро, и в газетах и по радио.” (A2B1).

<sup>277</sup> “При привлечении самое главное – большая линейка [вкладов]. У нас есть, где неснижаемый остаток вклада, есть сезонные вклады, где ставки выше, есть для пенсионеров специальные вклады <...>.” (A2B1).

<sup>278</sup> “Мы везде разместили информацию, что мы являемся членом данной системы. <...> Мы клиента полностью информируем. <...> На что я делаю упор, что у нас 98% акций принадлежит государственной корпорации <...>, [что] мы стабильный банк.” (A2B1).

<sup>279</sup> “Я считаю, что вообще для клиента эффективна ставка сейчас. В принципе, без разницы, где хранить деньги, если сумма твоя защищена. Но ставка в одном банке будет 13%, а в другом – 14,5%.” (A2B1).



When prompted, he also agreed that bank's membership in the DIS is another important factor, according to A1B1.<sup>280</sup> He went further to suggest that depositors would be deterred from opening an account if the bank were not a member of the scheme and expressed his opinion that it is not *serious for a bank to be engaged in deposit taking and not be a member of the scheme*. He also doubted whether depositors would go into such a bank.<sup>281</sup>

As for Bank B1, the following methods are used to attract new depositors: targeted advertising and inclusion of information about the DIS on all marketing materials, mentioned by B1B1 and B1M1;<sup>282</sup> advertising actions, mentioned by B1B2 and B1M1; bush telegraph, mentioned by B1B1;<sup>283</sup> personal contacts, mentioned by B1B2,<sup>284</sup> and direct sales by way of personal meetings with VIP clients, mentioned by B1M1.<sup>285</sup>

B1B1 stated that placing attributes of membership in the DIS on the marketing materials plays an important role, because depositors actively pay attention to it.<sup>286</sup> When prompted, B1B2 also said that the bank undoubtedly uses the fact of its membership in the DIS to attract new depositors.<sup>287</sup>

When asked about the determining factors for depositors to choose Bank B1, B1M1 stated that there are two main key factors – the bank's membership in the DIS and the

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<sup>280</sup> “Конечно! <...> Конечно, большой плюс. Огромный.” (A2B1).

<sup>281</sup> “Их бы, наверно, оттолкнуло, если бы мы не были в этой системе. <...> Да я и думаю, что это не серьёзно сейчас для банка заниматься вкладами и не входить в эту систему. Вряд ли клиент пойдет в такой банк.” (A2B1).

<sup>282</sup> “Мы на всех материалах размещаем обязательно логотип [системы страхования вкладов] <...>.” (B1M1).

<sup>283</sup> “Наибольший эффект – это, конечно, прямые, активные рекламные действия <...>: размещение рекламы в газетах, различных СМИ, баннерах и так далее. <...> основной упор, конечно, на сарафанное радио <...>.” (B1B1).

<sup>284</sup> “Личные контакты, рекламные акции, какие-то акции связанные с подарками для вкладчиков.” (B1B2).

<sup>285</sup> “Для привлечения новых клиентов <...> размещаем рекламу точечную, рекламу по нашей филиальной сети. Есть небольшой блок интернет-рекламы <...>, а в целом также привлекаем клиентов <...> по средствам проведения совместных акций с различными компаниями. И непосредственно прямые продажи, личные встреч. Данный канал продаж используется в первую очередь для VIP клиентов со значительными суммами вкладов.” (B1M1).

<sup>286</sup> “<...> немаловажную роль играет наличие рекламной продукции с атрибутикой участника системы страхования вкладов. На это люди сейчас активно обращают внимание.” (B1B1).

<sup>287</sup> “Да, безусловно.” (B1B2).

market interest rates.<sup>288</sup> B1B1 found it difficult to answer this question and said that the bank is, as yet, not too well-known to the population at large. When prompted, he stated that bank's membership in the DIS does not play a key role, because almost all banks that have a license for attracting money into deposits are members of the DIS.<sup>289</sup> He added that confidence in the banking system as a whole was a more important factor, because depositors know that amounts up RUB 700,000 are protected and, at the end of the day, it makes no difference for them in which bank they open a savings account.<sup>290</sup> B1B2 also found it difficult to answer whether the bank's membership in the DIS is a determining factor for depositors when choosing Bank B1.<sup>291</sup> He pointed out that, generally, the determining factors for depositors to choose Bank B1 are the quality of the depositor-bank relationship and, since the bank is not a well-known, big bank, interest rates and the conditions of different savings accounts.<sup>292</sup>

With regard to the methods Bank C1 uses to attract new depositors, C1B1 stated that they use targeted advertising, personal contacts, inclusion of information about DIS on all the bank's marketing materials and access to employees of existing corporate clients, because the bank's main focus has always been on corporate clients rather than on retail depositors.<sup>293</sup>

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<sup>288</sup> “Для вкладчика <...>, я думаю, что это именно участие банка в системе страхования вкладов наряду с рыночными процентными ставками, это два главных ключевых фактора.” (B1M1).

<sup>289</sup> “<...> поскольку практически все банки, имеющие лицензию на привлечение денег на депозиты от частных лиц, являются участниками системы страхования вкладов, поэтому <...> это участие не представляет такой значимости сильной.” (B1B1).

<sup>290</sup> “Здесь уже доверие идёт непосредственно ко всей банковской системе. Вот люди знают, что 700 000 [застрахованы], и, по большому счёту, им все равно, в каком банке вложить <...>.” (B1B1).

<sup>291</sup> “Решающим фактором? Трудно сказать.” (B1B2).

<sup>292</sup> “Ну, в основном, это отношение к клиенту <...>. Да, мы банк не мегаизвестный, не крупный, то есть привлечение – это процентная ставка и условия по различным видам вкладов.” (B1B2).

<sup>293</sup> “Новых клиентов мы привлекаем с помощью рекламы, с помощью личных контактов, и поскольку основой ориентир у банка всегда был на корпоративную клиентуру в большей степени, чем на физические лица, поэтому в данном случае привлечение новых вкладчиков идёт ещё по линии общения с руководством этих юридических лиц. <...> Вся рекламная кампания обязательно отражает наше участие в системе страхования вкладов.” (C1B1).

C1M1 also mentioned the marketing materials, and said that he always places the big logo of the DIS on the flyers.<sup>294</sup> He explained that, by doing this, depositors know that Bank C1 is not just any credit organisation, which is not a member of the DIS. He further pointed out that they must emphasise their membership in the DIS, because few depositors know that *practically all banks* are members of the DIS<sup>295</sup>.

When asked about the determining factors for depositors in choosing Bank C1, C1M1 stated that the quality of customer service (individual approach) is the determining factor for depositors.<sup>296</sup> However, when further prompted, C1M1 said that the interest rates and conditions of savings accounts also play a key role.<sup>297</sup> He admitted that the membership in the DIS plays its own role, but doubted whether it is still timely to talk about it, because people got fairly used to it and those clients, who do not have savings accounts, are absolutely not interested in DIS and do not load themselves with the information about it<sup>298</sup>.

C1B1, in answer to this question, said that, in his opinion, the few reasons why depositors would choose Bank C1 include rating of the bank by different rating agencies, the bank's membership in the DIS, which plays an important role, and welcoming atmosphere of the bank's branches.<sup>299</sup> He noted that Bank C1 is not in the top 10 or 20 of the biggest banks in Russia, and it is not as well-known or as trusted by the population as the top banks. He further explained that for Bank C1, a medium-sized bank, the

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<sup>294</sup> “<...> и, в первую очередь, именно в рекламе акцентирую внимание на большой знак системы страхования вкладов.” (C1M1).

<sup>295</sup> “<...> чтобы люди не думали, что мы какая-то кредитная организация, в которой этого нет. Причем, если учесть тот факт, что практически все банки входят в эту систему, мало кто из физических лиц знает об этом, то есть нужно акцентировать внимание.” (C1M1).

<sup>296</sup> “Наверное, качество обслуживания, индивидуальный подход.” (C1M1).

<sup>297</sup> “Ну, естественно первую роль играют ставки по вкладам, условия непосредственно вклада.” (C1M1).

<sup>298</sup> “Конечно, свою роль играет также то, что банк входит в систему страхования вкладов, но, к сожалению, именно сейчас об этом говорить <...> не то чтобы целесообразно, а своевременно. <...> Сейчас люди достаточно привыкли к этому и <...> многие люди, не имея вкладов, они не интересуются эти абсолютно, то есть эта информация им не нужна, они не нагружают себя ей.” (C1M1).

<sup>299</sup> “В нашем банке, я думаю, на самом деле не так много причин, по которым клиент идёт именно в наш банк, но они существуют. Прежде всего, такой причиной является оценка банка различными агентствами, различными консалтинговыми компаниями <...>. Плюс к этому, безусловно, немаловажную роль играет тот факт, что банк входит в систему страхования вкладов, и третье это та атмосфера, которая встречает клиентов <...>.” (C1B1).

membership in the DIS has a great significance, because depositors may deposit their money with confidence, as they would in a bigger bank.<sup>300</sup>

According to D1B1, Bank D1 uses the advertising actions, flyers on the street with information on the branch's existence, special offers on other banking products<sup>301</sup> and acquires new depositors through existing corporate clients (their employees).<sup>302</sup>

When prompted, D1B1 stated that the bank's membership in the DIS is only one of the 'advantages' for the bank. She further commented that *if bank is not a member of the DIS*, then either it does not want to be or it is a new bank and does not consider retail depositors as a target audience.<sup>303</sup>

When asked about the determining factors for depositors in choosing Bank D1, D1B1 said that there is no one single factor, but rather a whole set of factors. These include the fact that there are no queues in the banks, the quality of customer service based on strict standards of service, and the fact that the bank has 100% of foreign capital. She added that they inform depositors that the bank strictly follows the letter of the law, and that it is a member of the DIS.<sup>304</sup> However, D1B1 noted that these are the factors in choosing Bank D1 for a savings account and that in the case of selling a credit card, the bank will promote other factors.<sup>305</sup>

With regard to Bank D2, both D2B1<sup>306</sup> and D2B2 mentioned recommendation by existing clients, whilst D2B2 also added such ways as advertising actions and cold calls

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<sup>300</sup> “Мы не входим в топ-10, топ-20 крупнейших банков страны, поэтому, скажем, узнаваемость наша и доверие к нам не совсем такие как к тем банкам. Поэтому, конечно же, для нас, как для банка среднего, имеет большое значение тот факт, что мы входим в систему страхования вкладов, и клиент может также спокойной размещать свои денежные средства в нашем банке, как и в крупнейших банка России.” (C1B1).

<sup>301</sup> “Разные методы – промо-кампании, информация о существовании дополнительного офиса, специальные предложения <...>, в ноябре 2008 года дарили карту без комиссии за обслуживание на один год.” (D1B1).

<sup>302</sup> “<...> сотрудники клиентов (юридических лиц).” (D1B1).

<sup>303</sup> “Участие в системе страхования вкладов это только одно из преимуществ. Если банк не участвует в системе страхования вкладов, то либо не хочет, либо новый и не рассматривает физических лиц как целевую аудиторию.” (D1B1).

<sup>304</sup> “Совокупность факторов: нет очередей, качество сервиса (жесткие стандарты сервиса), банк с иностранным капиталом, проговариваем, что четко следуем букве закона.” (D1B1).

<sup>305</sup> “При продаже карты будут другие факторы.” (D1B1)

<sup>306</sup> “<...> звонки от имеющихся клиентов <...>.” (D2B1).

to attract new depositors, and that some new depositors come into the branch of their own accord.<sup>307</sup>

When prompted, D2B1 stated that the bank uses the information about its membership in the DIS for information only, and not as an instrument to attract new depositors.<sup>308</sup> Further, he said that, even though the interest in the DIS among the population has recently increased, the bank still does not position it as a plus.<sup>309</sup> D2B2, on the other hand, said that bank's membership in the DIS plays a certain role, and that it depends on the depositors. Those new depositors who come of their own accord ask about the DIS and demand to see the certificate of membership, whilst those new depositors who come on the recommendation of an existing depositor have no questions.<sup>310</sup> When asked about the determining factors for depositors in choosing Bank D2, D2B1 stated that firstly, the interest rate is the most important and secondly, the bank's reputation<sup>311</sup>.

In respect of the question regarding the methods the banks use to increase the amounts in accounts of existing depositors (Heads of Branch Interview Question 6; Marketing Staff Interview Question 6), half of the senior bank staff said they would offer a greater flexibility to continuing depositors, and would tie the interest rate in with the amount in the savings account, thus promoting the higher deposits. Others pointed out that they try to get from the depositors the maximum amount possible at the very beginning. Some senior bank staff also said that their bank's membership in the DIS plays a role in the increase of the amounts in accounts of existing depositors.

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<sup>307</sup> “Система рекомендаций от существующих клиентов, холодные звонки, небольшие маркетинговые мероприятия в торговых центрах, а также есть те, кто сами по себе заходят.” (D2B2).

<sup>308</sup> “Для информации только <...>. Как инструмент привлечения [клиентов] – не используем.” (D2B1).

<sup>309</sup> “[Население] стало больше интересоваться системой страхования вкладов в последнее время, но как плюс мы это не используем.” (D2B1).

<sup>310</sup> “Играет [роль] – те клиенты, которые приходят [сами], спрашивают о членстве, требуют предъявить свидетельство, тогда как у «рекомендованных» клиентов вопросов не возникает.” (D2B2).

<sup>311</sup> “Процентная ставка и репутация банка.” (D2B1).

A1B1 stated that in Bank A1, the membership in the DIS plays its role in the increase of the amounts in accounts of existing depositors<sup>312</sup>. He explained that all clerks are psychologists in a way, and that they try to see whether depositors have a barrier and if so, whether it is because they do not actually have the amount or whether depositors are simply not sure, and if the latter is the case, then they emphasise the bank's membership in the DIS and on the fact that a certain amount is guaranteed 100%.<sup>313</sup>

A2B1 said that in Bank A2, they do not pressurise depositors so that depositors do not walk away, but rather try to entice them by offering savings accounts with higher interest rates for higher amounts.<sup>314</sup>

With regard to Bank B1, all three senior bank staff, B1B1,<sup>315</sup> B1B2<sup>316</sup> and B1M1,<sup>317</sup> stated that bank's membership in the DIS is not relevant when trying to increase the amount in accounts of existing depositors, because the existing depositors already know about the scheme.

B1M1 noted that they provide existing clients with the information regarding new products via telephone, email, direct mail and in person.<sup>318</sup> She added that these are the

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<sup>312</sup> “Естественно, такой разговор с клиентами ведется, потому мы заинтересованы в увеличении денежного потока от клиентов.” (A1B1).

<sup>313</sup> “У нас все работники своего рода психологи, которые, разговаривая с клиентами, понимают, что им всё-таки необходимо. Они готовы услышать, в чем у него проблема, из-за чего у него <...> барьер, почему он не хочет внести деньги. Есть вероятность того, что у него просто нет денег, которые он хочет вложить. Но если они у него есть – есть возможность вложить какую-то энную сумму денег, то на это можно делать ударение, чтобы человек просто увеличил сумму, разговаривая о том, что у нас вот есть такая сумма, которую он может сохранить стопроцентно.” (A1B1).

<sup>314</sup> “Очень сильно мы не давим на клиента и как-то особенно его не провоцируем, чтобы он увеличил. Главное, не передавить на клиента <...>, чтобы он совсем не ушёл. <...> Я предлагаю <...> один из вкладов, где ставки выше от суммы.” (A2B1).

<sup>315</sup> “<...> при увеличении вклада со стороны уже действующего у нас клиента, в принципе, это не играет уже значительную роль, так как клиент изначально вошел в наш банк, зная о том, что банк является участником [системы страхования вкладов].” (B1B1).

<sup>316</sup> “<...> человек он однозначно все равно [уже] знает о том, что банк входит в систему страхования вкладов <...>.” (B1B2).

<sup>317</sup> “Как правило, клиент, который к нам уже пришел, как вкладчик, уже знает о том, что банк включен в систему страхования вкладов, и я лично не вижу необходимости повторно как-то акцентировать на этом внимание.” (B1M1).

<sup>318</sup> “<...> это информирование наших клиентов о новых продуктах, тут и телефонные звонки, и e-mail рассылки различные, и, непосредственно, информирование клиентов при [их] посещении офисов. Также мы периодически делаем рассылку direct mail так называемую, с новыми предложениями.” (B1M1).

methods they use, not only to increase the amounts on existing accounts, but also to increase the number of accounts per depositor, since they have depositors with more than one savings account in the bank<sup>319</sup>.

Both B1B1<sup>320</sup> and B1B2<sup>321</sup> added that they provide existing depositors with the increased flexibility of the savings account, including increased interest rates which directly relate to the amount in the savings account. B1B2 also mentioned such aspects as high quality personable customer service and additional services to the existing clients.<sup>322</sup>

Both C1B1<sup>323</sup> and C1M1<sup>324</sup> stated that in Bank C1, in order to increase the amount in the account of existing depositors, they would inform depositors about the increased maximum compensation amount. C1B1 added that when the maximum compensation amount was RUB 450,000<sup>325</sup>, it was difficult to explain and persuade depositors to deposit a higher amount.<sup>326</sup>

As for Bank D1, D1B1 pointed out that they telephone existing clients regarding the balance on their savings accounts<sup>327</sup> as well as offering the initial interest rate in direct

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<sup>319</sup> “Как правило, вот такие методы используются либо для увеличения размеров текущих вкладов, либо для увеличения количества вкладов одного клиента. Потому что в принципе у нас есть клиенты, которые держат свои денежные средства не в одном вкладе, а в нескольких различных [вкладах].” (B1M1).

<sup>320</sup> “Повышение привлекательности условий, то есть возможность частичного досрочного снятия суммы с вклада или счета. <...> увеличение гибкости вклада, условий и плюс, конечно же, увеличение процентов в зависимости от суммы вклада.” (B1B1).

<sup>321</sup> “<...> также увеличение процентных ставок, то есть улучшение условий для размещения средств.” (B1B2).

<sup>322</sup> “Это дополнительные услуги – раз, индивидуальное обслуживание – это два <...>.” (B1B2).

<sup>323</sup> “После того, как в 2008 году изменилась сумма страхования вкладов, то есть она повысилась до 700 000, естественно, в общении с клиентами мы упоминаем об этом факте.” (C1B1).

<sup>324</sup> “<...> и мы сами в различных случаях предупреждаем клиентов не беспокоиться, потому что все суммы застрахованы до 700 000, поэтому никаких проблем в этом плане не должно возникать <...>.” (C1M1).

<sup>325</sup> C1B1 was clearly mistaken when giving this example.

<sup>326</sup> “<...> в тот период, когда было 450 000, трудно было убеждать и объяснять клиентам, что можно разместить и большую сумму <...>.” (C1B1).

<sup>327</sup> “Стимулируем клиента для пополнения вклада путём прозвона по остаткам [на вкладе].” (D1B1).

relation to the amount in and the term of the savings account,<sup>328</sup> as in the cases of Banks A2 and B1.

D2B1 said that Bank D2 uses an individual approach and high quality customer service, including knowledgeable managers,<sup>329</sup> whilst D2B2 stated that they do customer profiling and from the beginning get the maximum amount possible. However, she added that new depositors look closely at the bank in the first six months or so and are not prepared to deposit more than RUB 700,000, whilst those depositors with amounts greater than RUB 700,000 are usually those who have been with the bank for a long time as they trust the bank and do not care about anything else.<sup>330</sup>

D2B2 also stated that they would mention the DIS to any client (whether depositor or not) because the bank's membership in the DIS is an indicator that their bank is not a 'Mickey Mouse outfit'. She stressed that the bank's membership in the DIS is a plus.<sup>331</sup> However, D2B1 suggested that the maximum compensation amount of RUB 700,000 is a psychological barrier for depositors.<sup>332</sup>

#### 6.2.6 Banks Use the Parameters of the DIS to Launch New Savings Accounts (Impact Indicator 1.3.2)

There was no specific question about the usage of DI parameters to launch new savings accounts. However, B1M1 noted that, from her knowledge, many banks introduced so-

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<sup>328</sup> “При предложении депозитного продукта делаем акцент на процентную ставку в прямой зависимости от суммы и срока.” (D1B1).

<sup>329</sup> “Общаемся с клиентами, оказываем сервис, у нас грамотные менеджеры.” (D2B1).

<sup>330</sup> “Изначально задача извлечь максимум денег сразу. Мы проводим профилирование клиентов. <...> те клиенты, у которых больше 700 000 рублей, они давно с банком, они доверяют банку и не заботятся ни о чём. Новые же клиенты в первые полгода не готовы внести больше 700 000 рублей – присматриваются.” (D2B2).

<sup>331</sup> “Если клиент приходит взять кредит, членство в системе страхования вкладов тоже показатель, что банк – не шарашкина контора, поэтому упоминаем о системе страхования вкладов любому клиенту, вне зависимости от того, с какой целью он пришёл. Для банка это плюс.” (D2B1).

<sup>332</sup> “700 000 рублей – это психологический барьер [для клиентов]. Клиент будет думать, что больше в банк вкладывать нельзя.” (D2B1.)



called ‘fully guaranteed deposits’ as soon as the maximum compensation amount was increased in October 2008, whereby the amount of deposit is limited to RUB 700,000.<sup>333</sup>

### **6.2.7 Bank Staff Who Work with Depositors Know About the Parameters of the DIS (Impact Indicator 1.3.4)**

In order to assess the knowledge of bank staff of the DIS, respondents were asked a series of questions probing their understanding of how the DIS works, their knowledge of the objectives of the reform, and whether they were familiar with the Federal Law and the Recommendations of the DIA.

When asked to name the objectives of the DI reform (Clerks Interview Question5), not all clerks could name all three objectives and opted for either one or two objectives.

Looking at Table 6.5, it is interesting to note that Objective 3 was mentioned the fewest number of times, with clerks from Bank D1 not mentioning it at all, and Banks A1 and D2 only mentioning it once. In contrast 3 (of the 4) clerks from Bank A2 and 2 (of the 3) clerks from Bank C1 mentioned Objective 3.

Objective 1 and Objective 2 were mentioned by 15 and 13 (of the 22) clerks respectively. All clerks from Bank A1 and Bank B1 mentioned Objective 1, whilst no clerk from Bank C1 mentioned it. 3 (of the 4) clerks from Bank D1 and 4 (of the 5) clerks from Bank D2 mentioned Objective 1.

When it comes to Objective 2, 3 (of the 4) clerks from Bank A2, 3 (of the 4) clerks from Bank D1 and 4 (of the 5) clerks from Bank D2 mentioned it, whilst only 1 (of the 4) clerk from Bank A1 and 1 (of the 3) clerks from Bank C1 mentioned it. (There is no reference to Bank B1 as there are only 2 clerks and the results of their answers can be seen from Table below.)

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<sup>333</sup> “<...> более того, очень многие банки ввели, так называемые, гарантированные депозиты, где как раз сумма вклада ограничена и составляет 700 000 рублей.” (B1M1).

**Table 6.5**

Clerks' recollection of objectives of the DIS.

| <b>Clerk</b> | <b>Objective 1</b> | <b>Objective 2</b> | <b>Objective 3</b> |
|--------------|--------------------|--------------------|--------------------|
| A1C1         | Yes                | No                 | No                 |
| A1C2         | Yes                | No                 | No                 |
| A1C3         | Yes                | No                 | No                 |
| <b>A1C4</b>  | Yes                | Yes                | Yes                |
| A2C1         | No                 | Yes                | Yes                |
| A2C2         | Yes                | Yes                | No                 |
| A2C3         | No                 | No                 | Yes                |
| <b>A2C4</b>  | Yes                | Yes                | Yes                |
| <b>B1C1</b>  | Yes                | Yes                | Yes                |
| B1C2         | Yes                | No                 | No                 |
| C1C1         | No                 | No                 | Yes                |
| C1C2         | No                 | Yes                | No                 |
| C1C3         | No                 | No                 | Yes                |
| D1C1         | No                 | Yes                | No                 |
| D1C2         | Yes                | Yes                | No                 |
| D1C3         | Yes                | Yes                | No                 |
| D1C4         | Yes                | No                 | No                 |
| D2C1         | No                 | Yes                | Yes                |
| D2C2         | Yes                | No                 | No                 |
| D2C3         | Yes                | Yes                | No                 |
| D2C4         | Yes                | Yes                | No                 |
| D2C5         | Yes                | Yes                | No                 |
| <b>Total</b> | <b>15</b>          | <b>13</b>          | <b>8</b>           |

When asked about their understanding of how the DIS works (Clerks Interview Question 4), clerks had to describe, in their own words, how they thought the DIS works.

The answer to this question, given by D2C2, was not possible to analyse, as it contained only generic information<sup>334</sup> and therefore will not be included in the total count.

There have been 18 points in total that were mentioned by clerks when describing how the DIS works in their own words.

17 (of the 21) clerks mentioned that the compensation takes place when some insured event happens.

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<sup>334</sup> “Система страхования вкладов защищает наших клиентов в результате событий, связанных с банковской деятельностью, с экономикой.” (D2C2)

14 (of the 21) clerks mentioned the compensation amount, including 13 clerks stating the current maximum compensation amount of RUB 700,000, including B1C1, who also stated that there was a change in the maximum compensation amount in October 2008,<sup>335</sup> and the remaining 1 clerk, D1C2, referred to the compensation amount as a certain amount set by the Federal Law.<sup>336</sup>

13 (of the 21) clerks mentioned the existence of the DIA, including 7 clerks who also mentioned that it is the DIA that is responsible for the compensation.

4 (of the 21) clerks attempted to state the timings relevant to the process of the compensation, with only 1 clerk mentioning them correctly. A2C2 stated that the compensation happens ‘within some time’,<sup>337</sup> A2C3 mentioned a ‘short period’,<sup>338</sup> D1C3 stated that depositors should receive compensation within the stated time, before the end of the act of revoking of the licence,<sup>339</sup> and only D2C5 correctly stated two important time frames, namely the time for submitting a claim is not earlier than 14 days since the insured event, and the time for payment is 3 days after submitting the claim.<sup>340</sup>

3 (of the 21) clerks mentioned the existence of a Federal Law which regulates the DIS, including 1, B1C1, referring only to the amendments to the Federal Law in October 2008, and 3 (of the 21) clerks mentioned the existence of the register of banks-participants of the DIS.

There were 4 (of the 18) points, which were covered by 2 clerks each. These points were:

- 1) the fact that their bank is a member of the DIS, mentioned by A1C3<sup>341</sup> and D2C5<sup>342</sup>;

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<sup>335</sup> “Вот законом от 13 октября 2008 года эта ставка повышена до 700 000 рублей, <...> раньше эта ставка составляла 400 000 рублей <...>.” (B1C1)

<sup>336</sup> “Клиент может получить определенную сумму, установленную в законе <...>.” (D1C2)

<sup>337</sup> “<...> и в течение какого-то времени выдаются деньги до 700 000.” (A2C2)

<sup>338</sup> “<...> а до 700 000 получают гарантированно, в короткий период.” (A2C3)

<sup>339</sup> “Клиент должен в указанные сроки, до момента завершения отзыва лицензии, <...> прийти в этом место получить свою страховую сумму.” (D1C3)

<sup>340</sup> “<...> порядок выплат состоит из <...>, подачи заявки не ранее 14 дней со дня наступления страхового случая и выплате суммы возмещения в течение 3 дней.” (D2C5)

<sup>341</sup> “Банк является участником системы страхования <...>.” (A1C3)

<sup>342</sup> “<...> наш банк включен в систему страхования вкладов <...>.” (D2C5)

- 2) the fact that there are bank-agents who are appointed by the DIA and carry out the compensation on its behalf, mentioned by A1C2<sup>343</sup> and A1C3;<sup>344</sup>
- 3) the fact that depositors are informed by the media when the insured event happens, mentioned by D1C3<sup>345</sup> and D2C5;<sup>346</sup> and
- 4) the fact that there is a process for depositors to claim an additional amount after the compensation from the DIA, mentioned by A2C1<sup>347</sup> and A2C3.<sup>348</sup>

There were 7 (of the 18) points, which were covered by 1 clerk each. These points are:

- 1) the fact that banks pay contributions to the DI fund, mentioned by A1C1;<sup>349</sup>
- 2) that all deposits in their bank are insured, mentioned by A1C3<sup>350</sup>, contrary to, for example, A2C4, who stated that deposits in any bank included in the register of the banks-participants of the DIS, are insured;<sup>351</sup>
- 3) that no special insurance contract is required by the depositors, mentioned by A1C4;<sup>352</sup>
- 4) that if depositor has more than one account in a bank, he will get a total compensation of RUB 700,000 maximum, whilst if a married couple open two separate accounts in one bank (one account per spouse), then they will get a compensation up to RUB 700,000 each, mentioned by A2C3;<sup>353</sup>
- 5) that the compensation is based on the principle that a depositor can get compensation of up to RUB 700,000 in one bank, mentioned by C1C3;<sup>354</sup>

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<sup>343</sup> “Банк выкупает какие-либо долги и выплачивает клиентам все сбережения.” (A1C2)

<sup>344</sup> “Банк <...> сейчас выплачивает по трем банками, является агентом по трем банкам <...>.” (A1C3)

<sup>345</sup> “<...> клиент об этом извещается в средствах массовой информации, <...> вывешивается информация для вкладчиков <...>.” (D1C3)

<sup>346</sup> “<...> порядок выплат состоит из специального объявления о банкротстве <...>.” (D2C5)

<sup>347</sup> “<...> еще клиент может взыскать какую-то сумму за моральный ущерб, но это уже не через Агентство.” (A2C1)

<sup>348</sup> “Свыше 700 000 вкладчики получают впоследствии, не сразу, <...> например, когда у банка будет уже имущество распродаваться, но это уже долгий процесс.” (A2C3)

<sup>349</sup> “Банки делают отчисления, а АСВ деньги приумножает <...>.” (A1C1)

<sup>350</sup> “Все вклады у нас застрахованы.” (A1C3)

<sup>351</sup> “<...> государство гарантирует всем вкладчикам в любом банке – там у них определенный список банков <...>.” (A2C4)

<sup>352</sup> “Вкладчикам не надо заполнять никаких специальных договоров по страхованию вкладов.” (A1C4)

<sup>353</sup> “<...> если даже вкладчик открыл несколько вкладов в одном банке, то ему выплачивается общая сумма до 700 000. А если у супругов, то каждому супругу выплачивается в отдельности, то есть можно на разные фамилии открыть.” (A2C3)

<sup>354</sup> “<...> 700 000 на данный момент, физическое лицо в одном банке.” (C1C3)

- 6) that not everything is insured under the DIS, mentioned by D1C4;<sup>355</sup> and
- 7) that the compensation is carried out only in RUB and, if the account was in foreign currency, then it is calculated based on the exchange rate on the day of insured event, mentioned by D2C1.<sup>356</sup>

3 (out of the 21) clerks, though covering from 3 to 4 points in their descriptions, gave clearly false statements concerning the compulsory nature of the DIS. D1C1 stated that the compensation will be carried out by the DIA, if the bank is a part of it. D2C3 stated that banks can be insured not on the compulsory basis and that is it some sort of prestige. In her description, D2C4 referred to the clients of banks which are part of the DIS, whilst all banks dealing with retail depositors are/have to be members of the scheme.

Table 6.6 provides an overview of all points covered by bank clerks when describing in their own words how the DIS operates.

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<sup>355</sup> “<...> есть то, что не подлежит страхованию <...>.” (D1C4)

<sup>356</sup> “Клиент <...> до 700 000 рублей получит со всех счетов в банке, в рублях, только в рублях, на день страхового случая.” (D2C1)

**Table 6.6**

Clerks' understanding of how the DIS works

| False statements – not compulsory |   | Total | Different accounts | Time | Claim for additional amount after DIA | Compensation – one person per bank | Not everything is insured | Compensation RUB, foreign currency rate on RUB 700,000 – amount | Depositor are informed by media/press | If insured event – then compensation | No special insurance contract | Register of banks at the Federal Law | Bank-agents | Bank is a member of the scheme | All deposits in this bank <sup>357</sup> are insured | DIA compensates | DIA | Banks pay to the fund | Clerk |
|-----------------------------------|---|-------|--------------------|------|---------------------------------------|------------------------------------|---------------------------|---|---------------------------------------|--------------------------------------|-------------------------------|--------------------------------------|-------------|--------------------------------|--|-----------------|-----|-----------------------|-------|
|                                   | 3 |       |                    |      |                                       |                                    |                           |   |                                       |                                      |                               |                                      |             |                                |  | +               | +   | +                     | A1C1  |
|                                   | 2 |       |                    |      |                                       |                                    |                           |   |                                       | +                                    |                               |                                      | +           |                                |  |                 |     |                       | A1C2  |
|                                   | 3 |       |                    |      |                                       |                                    |                           |   |                                       |                                      |                               |                                      | +           | +                              | +  |                 |     |                       | A1C3  |
|                                   | 5 |       |                    |      |                                       |                                    |                           |   |                                       | +                                    | +                             | +                                    |             |                                |  | +               |     |                       | A1C4  |
|                                   | 5 |       |                    |      | +                                     |                                    |                           | +   |                                       | +                                    |                               |                                      |             |                                |  | +               | +   |                       | A2C1  |
|                                   | 5 |       |                    | +    |                                       |                                    |                           | +   |                                       | +                                    |                               |                                      |             |                                |  | +               | +   |                       | A2C2  |
|                                   | 6 |       | +                  | +    | +                                     |                                    |                           | +   |                                       | +                                    |                               |                                      |             |                                |  | +               |     |                       | A2C3  |
|                                   | 2 |       |                    |      |                                       |                                    |                           |   |                                       | +                                    |                               | +                                    |             |                                |  |                 |     |                       | A2C4  |
|                                   | 3 |       |                    |      |                                       |                                    |                           | +   |                                       | +                                    |                               |                                      | +           |                                |  |                 |     |                       | B1C1  |

<sup>357</sup> “У нас”.

<sup>358</sup> Refers to the Federal Law from 13 October 2008.

| False statements – not compulsory                               |      |
|---|------|
| Total   | 4    |
| Different accounts  |      |
| Time  |      |
| Claim for additional amount after DIA                           |      |
| Compensation – one person per bank                              |      |
| Not everything is insured                                       |      |
| Compensation RUB, foreign currency rate on RUB 700,000 – amount | +    |
| Depositor are informed by media/press                           |      |
| If insured event – then compensation                            | +    |
| No special insurance contract                                   |      |
| Register of banks at the Federal Law                            |      |
| Bank-agents   |      |
| Bank is a member of the scheme                                  |      |
| All deposits in this bank <sup>357</sup> are insured            |      |
| DIA compensates   | +    |
| DIA   | +    |
| Banks pay to the fund   |      |
| Clerk   | B1C2 |
|   | C1C1 |
|   | C1C2 |
|   | C1C3 |
|   | D1C1 |
|   | D1C2 |
|   | D1C3 |
|   | D1C4 |
|   | D2C1 |
|   | D2C2 |
|   | D2C3 |

<sup>359</sup> “<...> и это будет делать Агентство по страхованию вкладов, если банк в него входит.” (D1C1)

<sup>360</sup> “<...> клиент может получить определенную сумму, установленную в законе <...>.” (D1C2)





Questioned about whether they had read the Federal Law (Clerks Interview Question 5a), 19 of the 22 clerks said that they had have read it. The answers of these 19 clerks can be divided into three categories. The first category (10 of the 19 clerks) were certain that they had read the law, with 1 clerk, C1C2, even remembering the serial number of the Federal Law<sup>364</sup> and 1 clerk, A1C4, mentioning that she had read the Federal Law more than once because depositors check clerks' knowledge every day.<sup>365</sup> The second category (4 of the 19 clerks) said that they had read the Federal Law a long time ago,<sup>366</sup> with 1 clerk, A2C1, saying that, whilst they had read the changes from October 2008 fully, they read the Federal Law itself quite a long time ago.<sup>367</sup> The third category (5 of the 19 clerks) said that they have browsed through<sup>368</sup> the Federal Law or had read it briefly.<sup>369</sup>

Of the remaining 3 (of the 22) clerks, 1 clerk, D1C3, was not sure whether she had read the Federal Law or not.<sup>370</sup> The remaining 2 clerks said they had not read it. C1C3 said that she had not have time yet to read it,<sup>371</sup> as she had been in the job for only 6 months with no prior work experience in retail banking, whilst D2C2 said that he had not read it word for word, but imagined what it is about.<sup>372</sup>

When asked whether they had seen the Recommendations of the DIA (on how best to inform the depositors about the DIS) (Clerks Interview Question 10b), only 5 of the 21 clerks<sup>373</sup> could answer positively, including D2C5, who saw the document at the branch information stand and then read it for himself.<sup>374</sup> 14 of the 21 clerks had not read this document, including C1C3, who knew that such a document existed but had not had time

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<sup>364</sup> “177? Да.” (C1C2)

<sup>365</sup> “Читали и не раз. Вкладчики наши проверяют нас на наши знания каждый день.” (A1C4)

<sup>366</sup> The Russian words used were ‘давно’, ‘давніенько’ и ‘плохо помню’.

<sup>367</sup> “Ну, обновления, которые были от 14 октября, мы их полностью читали, а сам федеральный закон читали давніенько.” (A2C1)

<sup>368</sup> The Russian word used was ‘просматривала’.

<sup>369</sup> The Russian word used was ‘примерно’, ‘поверхностно’ и ‘вкратце’.

<sup>370</sup> “Честно говоря, может быть, и читала, давно, не помню”. (D1C3)

<sup>371</sup> “По-моему, еще нет, не успела.” (C1C3)

<sup>372</sup> “Дословно не читал, но представляю, о чем он гласит.” (D2C2)

<sup>373</sup> The response of D2C1 to this question was not recorded.

<sup>374</sup> “Я увидел его на стенде, а потом собственноручно нашел и прочитал.” (D2C5)

to read it yet<sup>375</sup> for the reasons indicated above,. The 3 remaining clerks were not sure whether they had read it or not because, as A2C1<sup>376</sup> and C1C1<sup>377</sup> put it, they had read a lot of documents and could not remember whether it was called ‘recommendations’.

The comparison of clerks’ acquaintance with the Federal Law and the Recommendations of the DIA are presented in Table 6.7.

**Table 6.7**

Familiarity of bank clerks with the Federal Law and the DIA’s Recommendations

| Clerk | Federal Law | Comments                    | Recommendations | Comments                    |
|-------|-------------|-----------------------------|-----------------|-----------------------------|
| A1C1  | +           |                             | +               |                             |
| A1C2  | +           |                             | +               |                             |
| A1C3  | +           | Long time ago               | ?               |                             |
| A1C4  | +           |                             | -               |                             |
| A2C1  | +           | Long time ago               | +/-             | Could not remember for sure |
| A2C2  | +           | Browsed through             | -               |                             |
| A2C3  | +           | Briefly                     | -               |                             |
| A2C4  | +           | Long time ago               | -               |                             |
| B1C1  | +           |                             | -               |                             |
| B1C2  | +           |                             | -               |                             |
| C1C1  | +           |                             | +/-             | Could not remember for sure |
| C1C2  | +           |                             | +/-             | Could not remember for sure |
| C1C3  | -           |                             | -               | Knows that it exists        |
| D1C1  | +           | Long time ago               | -               |                             |
| D1C2  | +           | Briefly                     | -               |                             |
| D1C3  | +/-         | Could not remember for sure | -               |                             |
| D1C4  | +           | Briefly                     | -               |                             |
| D2C1  | +           |                             | //              | Answer not recorded         |
| D2C2  | -           |                             | -               |                             |
| D2C3  | +           | Browsed through             | +               |                             |
| D2C4  | +           |                             | +               |                             |
| D2C5  | +           |                             | +               |                             |
| Total | 19 “+”      |                             | 5 “+”           |                             |

<sup>375</sup> “Ну, я знаю, что он есть, но еще не ознакомилась.” (C1C3)

<sup>376</sup> “Может быть, так получится, что я читала, но не помню, что он так называется, что это рекомендации, потому что читать-то мы много чего читаем, просто не помню, что он именно так называется.” (A2C1)

<sup>377</sup> “Может быть, и читала. Я уже честно не помню. Я читала много информации.” (C1C1)

## Senior Bank Staff Responses

Senior bank staff were also asked to name the objectives of the DI reform (Heads of Branch Interview Question 4; Marketing Staff Interview Question 4) and no one could name all three objectives.

Looking at Table 6.8, it is interesting to note that, as in the case of the clerks' responses, Objective 3 was mentioned the fewest number of times, with senior bank staff from Banks B1 and C1 not mentioning it at all.

Objective 1 and Objective 2 were mentioned by 5 and 7 (of the 9<sup>378</sup>) senior bank staff respectively. All heads of branch mentioned Objective 2, whilst both marketing officers mentioned only Objective 1.

**Table 6.8**

Senior bank staff's recollection of objectives of the DIS.

|              | <b>Objective 1</b> | <b>Objective 2</b> | <b>Objective 3</b> |
|--------------|--------------------|--------------------|--------------------|
| <b>A1B1</b>  | Yes                | Yes                | Yes                |
| <b>A2B1</b>  | No                 | Yes                | Yes                |
| <b>B1B1</b>  | No                 | Yes                | No                 |
| <b>B1B2</b>  | Yes                | No                 | No                 |
| <b>B1M1</b>  | Yes                | No                 | No                 |
| <b>C1B1</b>  | Yes                | No                 | No                 |
| <b>C1M1</b>  | Yes                | No                 | No                 |
| <b>D1B1</b>  | Question not asked | Question not asked | Question not asked |
| <b>D2B1</b>  | No                 | Yes                | Yes                |
| <b>D2B2</b>  | Yes                | Yes                | No                 |
| <b>Total</b> | 6                  | 5                  | 3                  |

The only respondent from among the senior bank staff who named all three objectives was A1B1 who, in his response, noted that economic development in Russia was very unstable and the depositors' confidence in the economic system was very low. He believed that, in order to raise this confidence, the state created the DIA, which directly gave

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<sup>378</sup> The response of D1B1 to this question was not recorded.

impetus to people's savings. He also added that, before the establishment of the DIS, depositors were not certain that their money would be in the bank the next morning.<sup>379</sup>

Of the three senior bank staff who admitted not reading the Federal Law in full, A2B1 stated only two objectives, Objective 2 and Objective 3, calling Objective 2 the principal objective of the reform.<sup>380</sup> B1B1 named only Objective 2, stating that the objective of the reform is to raise the level of confidence in the banking system among the population,<sup>381</sup> whilst B1M1 recalled only Objective 1 and said that, in her opinion, the DIS allows the depositors to feel protected by the state.<sup>382</sup>

On the issue of whether they had read the Federal Law (Heads of Branch Interview Question 4a, Marketing Staff Interview Question 4a), 6 of the 9 senior bank staff said that they had read it.<sup>383</sup> They used words like "of course"<sup>384</sup> and "certainly".<sup>385</sup> 3 of the 9 senior bank staff said that they had not read the Federal Law fully. A2B1<sup>386</sup> and B1B1<sup>387</sup> stated that they had read only the parts which are relevant to their immediate work, whilst B1M1<sup>388</sup> just browsed through the Federal Law.

When asked whether senior bank staff had read the Recommendations of the DIA (on how best to inform the depositors about the DIS) (Heads of Branch Interview Question 9b, Marketing Staff Interview Question 9b), 6 of the 8 senior bank staff answered positively, including A1B1, who was not sure at first and only confirmed that he had read

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<sup>379</sup> "Развитие экономики очень нестабильно и доверие населения относительно экономической системы в стране низкое. Для того чтобы повысить это доверие, было государством <...> [создано] Агентство по страхованию вкладов, которое непосредственно дало толчок тому, чтобы люди делали депозиты в банках. До этого они не были уверены в том, что они завтра проснутся и окажутся без денег." (A1B1).

<sup>380</sup> "Как мне кажется, основная цель <...>. Смысл этой системы в том, наверно, и был, чтобы вернуть доверие людей." (A2B1).

<sup>381</sup> "Повысить доверие населения к банковской сфере, к банковской отрасли." (B1B1).

<sup>382</sup> "По моему мнению, система страхования вкладов <...> позволяет вкладчикам <...> чувствовать защищенность со стороны государства <...>." (B1M1).

<sup>383</sup> The response of D1B1 to this question was not recorded.

<sup>384</sup> The Russian words used were 'конечно'.

<sup>385</sup> The Russian words used were 'безусловно'.

<sup>386</sup> "Нет, не читал, основные положения только. Для себя я выбрал только то, что именно мне пригодится." (A2B1).

<sup>387</sup> "В той части, которая касается непосредственно моей работы." (A2B1).

<sup>388</sup> "Не полностью. Просматривала, я бы сказала так." (A2B1).

it after having seen the document itself.<sup>389</sup> He explained it by the sheer number of documents he has to deal with.<sup>390</sup> 2 of the 8 senior bank staff (heads of branch) had not read this document at all.

The comparison of senior bank staff's acquaintance with the Federal Law and the Recommendations of the DIA are presented in Table 6.9.

**Table 6.9**

Familiarity of senior bank staff with the Federal Law and the DIA's Recommendations

| Staff | Federal Law      | Comments                 | Recommendations | Comments                       |
|-------|------------------|--------------------------|-----------------|--------------------------------|
| A1B1  | +                |                          | +               | After having seen the document |
| A2B1  | -/+              | Only the main provisions | +               |                                |
| B1B1  | -/+              | Only the main provisions | -               |                                |
| B1B2  | +                |                          | +               |                                |
| B1M1  | -/+              |                          | //              | Answer was not recorded        |
| C1B1  | +                |                          | +               |                                |
| C1M1  | +                |                          | +               |                                |
| D1B1  | //               | Answer was not recorded  | //              | Answer was not recorded        |
| D2B1  | +                |                          | -               |                                |
| D2B2  | +                |                          | +               |                                |
| Total | 6 "+"<br>3 "-/+" |                          | 6 "+"           |                                |

### 6.2.7 Bank Staff Are Confident in Finding Appropriate Information to Answer Depositors' Queries about the DIS (Impact Indicator 1.3.5)

In order to assess the way bank staff get information about the DIS, whether in the course of their work or when depositors ask questions, when they did not know the answer, respondents were asked a series of questions.

<sup>389</sup> The responses of B1M1 and D1B1 to this question were not recorded.

<sup>390</sup> "Просто очень много документов. Давайте я посмотрю. <...> Да, я читал этот документ." (A1B1).

When asked about how clerks personally, in the course of their job, receive information about changes in the DIS (Clerks Interview Question 12), the majority of respondents mentioned getting such information by email (19 of the 22 clerks).

As can be seen from Table 6.10, only 6 of the 19 clerks, 31.6%, said they would receive such information by email from a designated person in the head office or via a bank-wide emailing. This number included 4 clerks from Bank D2, and clerks A1C3 and B1C1.

While A1C3 mentioned that there are special people in the bank who are responsible for informing clerks about the changes in the DIS,<sup>391</sup> B1C1 said that while there is a designated person in the head office who informs clerks about the changes in the legislation in force, the line manager also sends out emails with specific points to which clerks should pay attention.<sup>392</sup> As for the 4 clerks from Bank D2, they all specifically mentioned a bank-wide emailing, referring to it as a ‘common emailing around the bank’,<sup>393</sup> ‘internal emails from designated people’,<sup>394</sup> ‘emailing for personnel’<sup>395</sup> and ‘official emailing around the bank’.<sup>396</sup>

**Table 6.10**

Methods used to receive information on changes in the DIS, internally within banks

| Clerk | By email from a line manager <sup>397</sup> | By email from a designated officer in the head office / bank-wide | By email (in general) | Line manager | Press | Legislation software | Bank’s website |
|-------|---|---|-----------------------|--------------|-------|----------------------|----------------|
| A1C1  | +   |   |                       |              | +     |                      |                |
| A1C2  | +   |   |                       |              |       |                      |                |
| A1C3  |   | +   |                       |              |       |                      |                |
| A1C4  | +   |   |                       |              |       |                      |                |
| A2C1  |   |   | +                     |              |       |                      |                |

<sup>391</sup> “У нас есть специальные на это люди, которые нас уведомляют.” (A1C3)

<sup>392</sup> “<...> есть ответственное лицо в главном банке, которое рассылает нам изменения в действующем законодательстве. <...> Либо начальство нам рассылает конкретно те моменты, на которые нужно обратить внимание.” (B1C1)

<sup>393</sup> “Общая рассылка по банку.” (D2C1)

<sup>394</sup> “Путём писем по внутренней почте от ответственных за это людей.” (D2C2)

<sup>395</sup> “Рассылка для персонала по электронной почте.” (D2C3)

<sup>396</sup> “Официальная рассылка по банку <...>.” (D2C4)

<sup>397</sup> The Russian words used were ‘руководство’, ‘руководитель’ и ‘начальство’.

| Clerk | By email<br>from a<br>line<br>manager <sup>397</sup> | By email<br>from a<br>designated<br>officer in<br>the head<br>office /<br>bank-wide | By<br>email<br>(in<br>general) | Line<br>manager | Press | Legislation<br>software | Bank's<br>website |
|-------|--|---|--------------------------------|-----------------|-------|-------------------------|-------------------|
| A2C2  | +  |   |                                |                 |       |                         |                   |
| A2C3  | +  |   |                                |                 | +     |                         |                   |
| A2C4  | +  |   |                                |                 |       |                         |                   |
| B1C1  | +  | +   |                                |                 |       |                         |                   |
| B1C2  |  |   | +                              |                 |       |                         |                   |
| C1C1  |  |   | +                              |                 |       | +                       |                   |
| C1C2  |  |   |                                | +               |       |                         |                   |
| C1C3  |  |   |                                | +               |       |                         |                   |
| D1C1  |  |   | +                              |                 |       |                         |                   |
| D1C2  |  |   |                                |                 |       | + <sup>398</sup>        | +                 |
| D1C3  |  |   |                                | +               | +     |                         |                   |
| D1C4  | +  |   |                                |                 |       |                         |                   |
| D2C1  |  | +   |                                |                 |       |                         |                   |
| D2C2  |  | +   |                                |                 |       |                         |                   |
| D2C3  |  | +   |                                |                 |       |                         |                   |
| D2C4  |  | +   |                                |                 | +     |                         |                   |
| D2C5  |  |   | +                              |                 | +     |                         |                   |
|       | 8  | 6   | 5                              | 3               | 5     | 2                       | 1                 |

The other email-related responses were getting an email with information on changes in the DIS from a line manager (8 of the 19 clerks, 42.1%) or getting an email in general, without mentioning where it would come from (5 of the 19 clerks, 26.3%).

Non-email-related responses included:

- 1) receiving the information from their line manager (without mentioning the method) – 3 of the 22 clerks;
- 2) getting the information from the press – 5 of the 22 clerks;

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<sup>398</sup> “Ну, опять-таки из нашего сайта следим за изменениями, ну, и периодически – закон.” (D1C2)

- 3) retrieving the information from, or checking the changes in, the legislation software – 2 of the 22 clerks;
- 4) checking the bank's website for the information on changes in the DIS – 1 of the 22 clerks.

It is interesting to note that, whilst A2C1 mentioned that they receive information by email in a timely manner, even ahead of the appearance of such information in the press or Internet.<sup>399</sup> D2C5, on the contrary, said that, despite receiving the information by internal email, the personal/individual control via Internet is quicker than the bank communications.<sup>400</sup>

When asked about the course of action taken in a situation when a depositor asks questions that the clerk could not answer (Clerks Interview Question 15), respondents gave different ways of finding the answer (see Table 6.11).

As can be seen from Table 6.11, there is no consistency in the answers, either within each bank or across all banks, which may suggest that there is no general approach to dealing with queries regarding the DIS.

The most common courses of action were asking colleagues for help and looking for an answer in the Federal Law (6 out the 22 clerks in both cases). Of these 6 clerks, in the first instance (asking colleagues for help), there were 1 clerk from Bank A2, 2 clerks from Bank D1 and 3 from Bank D2, and only 2 of them said they consulted colleagues as the only source of information, whilst the other 4 complemented colleagues' advice from other sources.

The clerks who claimed they looked for an answer in the Federal Law were from Bank A1 (1 clerk), Bank B1 (1 clerk), Bank C1 (1 clerk), Bank D1 (1 clerk) and Bank D2 (2 clerks), and used it as the only source of information, except for the 2 clerks from Bank

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<sup>399</sup> “<...> если что-то у ЦБ новое вводится, то это в первую очередь рассылается и всем нам. Поэтому я считаю, что мы это узнаем оперативно. Мы узнаем, а на следующие дни эта информация появляется в прессе или в сети Интернет <...>.” (A2C1)

<sup>400</sup> “По внутренней почте, а также слежу за новостями в сети Интернет. Иногда личный контроль опережает внутреннюю электронную почту.” (D2C5)



D2, who also looked for help from colleagues<sup>401</sup> or tried to get an answer from the specialist DI officer.<sup>402</sup>

**Table 6.11**

Points of consultation for bank clerks when faced with a difficult question about the DIS

| Clerk | Line manager <sup>403</sup> | Specialist DI officer in the head office | Other specialist officer in the head office | Head of Retail | Colleagues | Federal Law | Internet | Other |
|-------|-----------------------------|--|---|----------------|------------|-------------|----------|-------|
| A1C1  | +                           |  |   |                |            |             |          |       |
| A1C2  |                             |  | +   |                |            |             |          |       |
| A1C3  |                             |  | +   |                |            |             |          |       |
| A1C4  |                             |  |   |                |            | +           |          |       |
| A2C1  |                             | +  |   |                |            |             |          |       |
| A2C2  | +                           |  |   |                |            |             |          |       |
| A2C3  | +                           |  |   |                |            |             |          |       |
| A2C4  | +                           |  |   |                | +          |             |          |       |
| B1C1  |                             |  |   |                |            | +           |          |       |
| B1C2  |                             |  |   |                |            |             |          | +     |
| C1C1  |                             |  |   |                |            | +           |          |       |
| C1C2  |                             |  |   | +              |            |             |          |       |
| C1C3  |                             |  |   | +              |            |             |          | +     |
| D1C1  |                             |  |   |                | +          |             | +        |       |
| D1C2  |                             |  |   |                | +          |             |          |       |
| D1C3  |                             |  |   |                |            | +           |          |       |
| D1C4  |                             |  |   |                |            |             |          | +     |
| D2C1  |                             | +  |   |                |            | +           |          |       |
| D2C2  |                             |  | +   |                |            |             |          |       |
| D2C3  |                             |  |   |                | +          |             |          |       |
| D2C4  |                             |  |   |                | +          | +           |          |       |
| D2C5  |                             |  |   |                | +          |             | +        |       |
| Total | 4                           | 2  | 3   | 2              | 6          | 6           | 2        | 3     |

Whilst clerks from Bank A2 did not see looking for an answer in the Federal Law as a possible way of solving a depositor's query, 3 of them indicated that they would normally consult the line manager – the second most common course of action (4 of the 22 clerks).

<sup>401</sup> “Искать информацию буду в законе в первую очередь, потом спрошу у более опытных сотрудников.” (D2C4)

<sup>402</sup> “Есть контактное лицо в банке, отвечающее за рассылки о системе страхования вкладов. Рядом с кассой висит ФЗ – можно освежить память.” (D2C1)

<sup>403</sup> The Russian words used were ‘руководство’, ‘руководитель’ и ‘начальство’.

The third most common option was to consult specialist officers in the head office (3 of the 22 clerks). These specialist officers would be mainly from the customer services<sup>404</sup> or other employees specially trained to deal with depositor enquiries.<sup>405</sup>

The fourth most common option was to consult the head of retail, and to consult the specialist DI officer in the head office (2 of the 22 clerks in both cases). The 2 clerks who would have consulted the head of retail were from Bank C1, and their course of action can be explained by the fact that the head of retail sits in with the clerks in one of the branches so clerks have an easy access to her.<sup>406</sup> Of the 2 clerks who would have consulted the specialist DI officer in the head office, only 1 would have used solely specialist officers' knowledge,<sup>407</sup> while the other clerk would have also looked for an answer in the Federal Law.

Other courses of action included consulting the 'magic folder' containing the information on DIS,<sup>408</sup> using the cheat-sheets from the DIA,<sup>409</sup> and advising a depositor to visit the Q&A page on the bank's website (or printing it out if the depositor does not have Internet access).<sup>410</sup>

Another interesting fact is that only 4 of the 22 clerks mentioned that, if they are unable to find the answer while a depositor was waiting, they would ask the depositor for their telephone number and would call them back once they had found the answer.<sup>411</sup> These clerks were from Bank A1 (1 clerk) Bank A2 (1 clerk) and from Bank D2 (2 clerks from the same branch).

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<sup>404</sup> “<...> обращусь в сервисную службу в нашем филиале, а потом – в головной офис.” (D2C2)

<sup>405</sup> “У нас очень много сотрудников – и тренера, и супервизоры, которые помогут нам в решении каких-либо вопросов, проблем.” (A1C2)

<sup>406</sup> “В первую очередь, позвоню – самый простой вариант – позвонить начальнику управления розничного бизнеса, выяснить у нее <...>.” (C1C2)

<sup>407</sup> “Если бы это было до 6 часов вечера, то можно было бы позвонить в головной банк, так уже пообщаться конкретно с тем, кто этим занимается.” (A2C1)

<sup>408</sup> “У нас есть волшебная папочка, я залезу в папочку почитать.” (B1C2)

<sup>409</sup> “У нас есть шпаргалки от именно этого Агентства, от самого, то <...> там посмотрю, если не знаю.” (C1C3)

<sup>410</sup> “Я скажу, что на нашем сайте, если у клиента есть доступ, то есть очень хорошая страница с «вопросом-ответом». И были такие клиенты, у которых нет доступа, я им просто распечатывала <...>.” (D1C4)

<sup>411</sup> “ Попрошу подождать, найду информацию, а если не смогу сразу найти, то попрошу номер телефона и перезвоню.” (D2C4)

## Senior Bank Staff Responses

When asked about how they, personally, in the course of their job, receive information about changes in the DIS (Heads of Branch Interview Question 13; Marketing Staff Interview Question 13), all of the senior bank staff mentioned getting such information internally, with only 5 of the 9<sup>412</sup> respondents saying that they would also consult external sources.

A1B1 stated that, in Bank A1, they would normally get updated on any changes in the DIS from the trainers in the head office, who are specifically responsible for this.<sup>413</sup>

With regard to Bank A2, A2B1 said that he would personally receive the information on the changes in the DIS from his immediate line managers in the Operations Department, or from newspapers.<sup>414</sup>

From the responses the 2 heads of branch at Bank B1, it appears that there is no uniform way in which they get information on changes in the DIS, as each of them gave a different answer.

B1B1 stated that the Legal Department of the bank is responsible for all the changes in any legislation, including legislation on the DIS, and that this department would analyse the information and would send it to the branch via email.<sup>415</sup>

B1B2, in turn, specified that they monitor the legislation database in the branch on a weekly basis, and that is how they get information on any changes, including those related to the DIS.<sup>416</sup>

Both the head of branch and the marketing officer from Bank C1 named the Internet as a possible source for the information on changes in the DIS. C1B1 also mentioned the

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<sup>412</sup> The response of B1M1 to this question was not recorded.

<sup>413</sup> “<...> у нас есть тренеры в главном офисе <...>, которые представляют информацию, все обновления исходят непосредственно от них.” (A1B1).

<sup>414</sup> “Непосредственно от своих руководителей с операционного департамента или самостоятельно, из газет.” (A2B1).

<sup>415</sup> “Изменением любого законодательства, в том числе, и системы страхования вкладов, у нас занимается <...> наш юридический департамент, которые анализирует всю информацию и <...> спускает нам в электронных сообщениях.” (B1B1).

<sup>416</sup> “У нас проводится мониторинг всей законодательной базы на еженедельной основе. <...> если что-то появляется, то мы это видим и обновляемся.” (B1B2).

Central Bank's normative documents, which they receive timely, as the internal sources, as well as TV and radio as other possible external sources,<sup>417</sup> whilst C1M1 also mentioned employees in the head office of the bank.<sup>418</sup>

D1B1 stated that, in Bank D1, they would receive information on changes in the DIS via centralised internal emailing as well as via new, updated, marketing materials. As for the external sources, they would monitor the media, but D1B1 specifically pointed out that the Head Office would always send them information on the changes before they appear in the major Russian newspapers.<sup>419</sup>

The responses of the 2 heads of branch from Bank D2 were very similar. D2B1 stated that they would receive information on changes in the DIS via internal email, at internal meetings or on the Internet.<sup>420</sup> D2B2 echoed this by mentioning centralised emailing and special training sessions for staff.<sup>421</sup>

When asked who is responsible for provision of information on DIS bank-wide (Heads of Branch Interview Question 12; Marketing Staff Interview Question 12), not all respondents could clearly describe whether their banks have a dedicated person in charge of provision of information on the DIS.<sup>422</sup>

In Bank A1, there appears to be a two-tier system which, according to A1B1, includes the trainers in the head office, who would be the first point of contact for the bank's employees if they have any questions, including those about the DIS and, at branch level,

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<sup>417</sup> “Масса источников – сеть Интернет, <...> нормативные документы Центрального банка, с которыми нас своевременно знакомят, телевидение, радио.” (C1B1).

<sup>418</sup> “Либо через сотрудников банка [головного офиса] <...>, либо сами через сеть Интернет.” (C1M1).

<sup>419</sup> “Центральная рассылка внутри банка и раздаточные материалы. Сами также отслеживаем СМИ. Не было случая, когда центральный офис не прислал информацию до того, как она появилась в центральных российских газетах.” (D1B1).

<sup>420</sup> “В сети Интернет, по внутренней почте, на собраниях.” (D2B1).

<sup>421</sup> “Любые изменения в законодательстве они централизованно приходят по рассылке. Также мы организуем тренинги.” (D2B2).

<sup>422</sup> The response of B1M1 to this question was not recorded.

the head of the branch who takes on a controlling role and checks to what extent the employees have familiarised themselves with one or another information.<sup>423</sup>

A2B1 may have been confused and, in his answer to this question, mentioned the department of retail depositors' services in the headquarters of the Bank A2 in Moscow, rather than the head office in Saint-Petersburg. Moreover, he stated that in the branch, in all probability, he would be the dedicated person responsible for information provision and, in his absence, any of the clerks would be able to provide the necessary information, because the head of branch and the clerks are interchangeable in this respect.<sup>424</sup>

From the responses of 2 heads of branch, it appears that Bank B1 also has a two-tier system. Whereas B1B1 mentioned the department for development of the banking network, and in particular the head of the division for banking network support and maintenance,<sup>425</sup> B1B2 said that the person with overall responsibility for provision of information on the DIS is the head of branch.<sup>426</sup> He added that, in principle, the information provision depends on the depositors and it is their choice – they can read the information on the information stands in the branch or during the conversation with the clerk.<sup>427</sup>

As for Bank C1, C1B1 stated that, in the branch, they always have 1 clerk on each of the 2 shifts who works with retail depositors, and it is her responsibility to provide depositors with the information on the DIS, and that the head of branch would inform the

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<sup>423</sup> “<...> у нас есть тренеры в главном офисе. <...> Я же здесь исполняют роль контролирующего органа, то есть проверяю, насколько сотрудники знакомились с той или иной информацией.” (A1B1).

<sup>424</sup> “Вот непосредственно про головной банк <...>. У них есть отдел обслуживания физических лиц, они занимаются вкладами, депозитами. [Это] если брать Москву. Если брать наш дополнительный офис, то привлечением занимаюсь я, то, скорее всего, я. А если я отсутствую, то проконсультировать может любой операционист <...>. У нас взаимозаменяемость.” (A2B1).

<sup>425</sup> “Непосредственно по дополнительным офисам, такую информацию нам спускает департамент развития банковской сети в лице руководителя отдела поддержки и сопровождения банковской сети <...>.” (B1B1).

<sup>426</sup> “Вообще отвечает за все руководитель структурного подразделения <...>.” (B1B2).

<sup>427</sup> “А именно непосредственно доведение информации до каждого клиента это как бы выбор клиента. <...> [Он может] все почерпнуть, допустим, либо из информации, которая расположена на стендах, либо при личной беседе.” (B1B2).

depositors he works with personally.<sup>428</sup> When prompted to imagine the situation where a clerk would not know something and would need to seek advice from someone else in the bank, C1B1 claimed that the bank's clerks know everything about the DIS.<sup>429</sup> Furthermore, C1M1 said that the head of Department of Retail Business has the overall responsibility for the provision of information on the DIS in the bank.<sup>430</sup>

D1B1 described the system in place in Bank D1 as a system of centres of competence, whereby one employee in the branch studies some issue fully and thus become the dedicated person whom all other employees can approach if they do not know something. With regard to the DIS, the senior clerk, who is the centre of competence for this issue in the branch, is responsible for monitoring all issues related to the DIS, including ensuring that the branch does not run out of the green brochures.<sup>431</sup>

The 2 heads of branch from Bank D2 gave different answers. Whilst D2B1 stated that the person responsible for providing the information on the DIS are the clerks,<sup>432</sup> D2B2 said that the dedicated person in the branch is the head of branch, and in the head office, the dedicated persons are the head of the department of retail business and the lawyer.<sup>433</sup>

## 6.2.8 Banks Inform Depositors about the DIS (Impact Indicator 1.3.6)

In order to understand what information banks provide about the DIS to their depositors and potential clients, respondents were asked a series of questions concerning the type of information they provide, at what stage of the process do they provide the information, and how banks keep their depositors abreast of the changes in the DIS.

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<sup>428</sup> “У нас работают две смены и в каждой смене есть специалист, который обслуживает непосредственно физических лиц. При общении с клиентами и потенциальными вкладчиками в её обязанности входит как раз информирование о системе страхования вкладов. Естественно, когда я общаюсь с вкладчиками, то я довожу до них информацию.” (C1B1).

<sup>429</sup> “Я думаю, что она всё знает.” (C1B1).

<sup>430</sup> “Начальник отдела розничного бизнеса.” (C1M1).

<sup>431</sup> “У нас установлена система центров компетенции, когда один сотрудник изучает какой-либо вопрос в полном объёме. У нас есть старший специалист, который является ответственным за мониторинг вопросов о системе страхования вкладов, а также за наличие буклетов.” (D1B1).

<sup>432</sup> “Сотрудники в отделении.” (D2B1).

<sup>433</sup> “В рамках отделения – управляющая, а там [в головном офисе] – непосредственно руководитель и юрист.” (D2B2).

Clerks were asked at which stage of the process of opening a bank account they inform the retail depositors about the DIS (Clerks Interview Question 7). As there are differences between the banks as to the process of opening of bank savings accounts, the responses will be analysed in groups (according to banks).

All 4 clerks from Bank A1 said that they would normally inform the depositors at the consultation stage, when depositors decide whether to open a savings account in their bank and look at the product range to choose the interest rates.

Clerks from Bank A2 differed in their responses. A2C1 said that she would provide the information at the very beginning to depositors who open an account for the first time, whilst those who come to renew an account will already be informed.<sup>434</sup> However, she then added that this does not happen straight away when the depositors come into the branch, but that it is done during the discussion about the amount, term of the deposit and so on. Further, she said that they do not 'scare' depositors straight away by saying that the depositors are insured so that depositors do not run away.<sup>435</sup>

A2C2 said that she would not tell every depositor about the DIS, and would talk about it if the depositors have doubts because, in her opinion, those who appear confident probably know about the scheme and are not interested.<sup>436</sup> A2C3 mentioned that, normally, he would mention the DIS at the consultation stage, adding that when and if the depositor enquires.<sup>437</sup> A2C4 said that, in her experience, depositors themselves always ask about the DI at an early stage. She added that, before opening a savings account, they research the banks, their interest rates and whether the deposits are insured because, for depositors, the fact that deposits are insured is one of the most

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<sup>434</sup> '<...> обычно, кто переоформляет – они уже все в курсе изначально. А те, кто приходит с улицы, мы, конечно же, сразу де им говорим.' (A2C1)

<sup>435</sup> 'Я не могу сказать, что это прямо сразу происходит. Я имею в виду, клиент приходит и говорит: «Я хочу открыть вклад», а мы ему сразу же вот начинаем, что вот у нас вклады застрахованы. Конечно, это не так, это все в процессе объясняется, когда он сумму выбирает, сроки и так далее. Но сразу мы его никогда не пугаем, что все вклады у нас застрахованы, чтобы он никуда не убежал <...>.' (A2C1)

<sup>436</sup> 'Ну, если человек приходит и сомневается о том, что хочет он или не хочет открыть, то, конечно, мы говорим <...>. А если человек приходит, и если он уверен, то он, по всей видимости, знает о системе страхования, то есть если уверены люди, то их, в принципе, это не интересует.' (A2C2)

<sup>437</sup> 'На стадии консультирования. В основном-то говорим, когда клиент интересуется.' (A2C3)

important questions, and they will not open a savings account in a bank where deposits are not insured.<sup>438</sup> She also added that they say that deposits are insured somewhere between the words.<sup>439</sup>

Clerks from Bank B1 said that they would tell the depositors about the DIS at a very early stage but explained such a course of action differently. B1C1 said that she will generally inform the depositors at the initial stage<sup>440</sup> and, when asked further about depositors with small amounts, said that she mentions the DIS to everyone.<sup>441</sup> B1C2, on the other hand, mentioned that she would inform the depositors about the DIS when they come to the branch, but only as a reaction to their questions. She said that, in most cases, depositors already know what they want and are simply interested whether deposits in the bank are insured.<sup>442</sup>

Clerks from Bank C1 differed in their responses. Whilst C1C1 said she would inform the depositors at the initial stage when they discuss the options and sign a contract,<sup>443</sup> C1C2 and C1C3 would only mention the DIS to the depositors when they<sup>444</sup> ask and if they ask,<sup>445</sup> respectively.

All 4 clerks from Bank D1 said they would inform the depositors about the DIS at the initial stage. It should be noted that, due to the nature of the process of opening a bank account at the bank, the depositors firstly open a current account and only then open a savings account. The 'initial stage' in clerks' responses refers to the very early stage, before filling in the forms for the current account.<sup>446</sup> D1C2, D1C3 and D1C4 also

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<sup>438</sup> 'Как правило, клиенты всегда спрашивают. Они, прежде чем открыть вклад <...> ходят по разным банкам, смотрят, где какие проценты и застрахован вклад или нет. Естественно, для них это один из самых важных вопросов, потому что если не застрахован, они не будут открывать вклад в этом банке.' (A2C4)

<sup>439</sup> '<...> и где-то промеж слов мы ему говорим, что вклады, конечно, застрахованы.' (A2C4)

<sup>440</sup> 'Ну, вообще, рассказываю на начальной стадии.' (B1C1)

<sup>441</sup> 'Ну, <...> стараюсь каждому рассказывать.' (B1C1)

<sup>442</sup> 'Чаще всего, когда только приходят. <...> Но чаще всего клиент уже знает, что хочет, его просто интересует, страхуем ли мы.' (B1C2)

<sup>443</sup> 'На первой стадии, когда идет оформление договора, когда предлагаешь продукцию, можно так сказать.' (C1C1)

<sup>444</sup> '<...> если человеку нужна информация, он начинает задавать вопросы, тогда, естественно, более подробно уже рассказываем об этом.' (C1C2)

<sup>445</sup> 'По мере необходимости, то есть если сами спрашивают.' (C1C3)

<sup>446</sup> '<...> изначально при открытии счета, пока они заполняют анкеты, мы им все проговариваем.' (D1C1)



mentioned that they would normally tell the depositors at the initial stage, unless depositors asked them first.<sup>447</sup>

Clerks from Bank D2 gave differing responses. Whilst 3 of the 5 clerks mentioned that they would inform the depositors about the scheme before or during the filling in of the application for the service package (which in this bank includes a current account and a credit card in the first place, with the opportunity to open a savings account once the current account has been set up), D2C4 said they try to tell the depositors, but it does not happen every time<sup>448</sup> and D2C3 stated that she does not automatically inform the depositors if they do not ask questions.<sup>449</sup>

When asked whether the provision of information about the DIS by their bank is more commonly provided orally, or in a written form, (Clerks Interview Question 11), clerks gave the following answers (see Table 6.12).<sup>450</sup>

Overall, there were 10 of the 20 clerks (50%) who said that the provision of information was both in oral and written form equally, apart from response from D2C5, as illustrated below. Of the remaining 10 clerks, 9 stated that the information was provided mostly orally. Some of the clerks went on to explain their responses.

A2C3 stated that the information is conveyed predominantly orally because, whilst there is information about the DIS on the information stand, the depositors do not like to read and sometimes do not know how to read.<sup>451</sup> C1C2 agreed, saying that, whilst there is a lot of information displayed in the branch, it does not mean that depositors will read it.<sup>452</sup>

D2C4 was the only clerk (of the 20) who said that the provision of information was mainly in a written form. This response contradicts the answers given by clerks from the

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<sup>447</sup> ‘Да, в принципе, мы говорим им <...> при открытии. В основном сейчас, на самом деле, клиенты всегда первые интересуются.’ (D1C4)

<sup>448</sup> ‘Стараемся говорить. Не каждый раз, но говорим.’ (D2C4)

<sup>449</sup> ‘В обязательном порядке, если не спрашивают, – нет.’ (D2C3)

<sup>450</sup> The responses of D1C4 and D2C1 were not recorded, so will not be analysed, hence, the total count for this question is 20 clerks.

<sup>451</sup> ‘У нас на стенде <...> есть информация о страховании вкладов. В основном, устно <...> потому что люди читать у нас не любят, не хотят, им не понятно это. Они даже читать не умеют почти что.’ (A2C3)

<sup>452</sup> ‘Информации много размещено в самом дополнительном офисе, но не факт, что они будут все это читать.’ (C1C2)

same bank, where D2C3 said the information was conveyed mainly orally and D2C2 and D2C5 mentioned that, in their opinion, the ratio of oral to written information was 50/50 and 60/40 respectively.

**Table 6.12**

The format of information about the DIS provided to retail depositors

| Clerk | Oral | Written | Comments  |
|-------|------|---------|---|
| A1C1  | +    | +       | In the contract and the brochure  |
| A1C2  | +    | +       | Firstly orally, then also to read   |
| A1C3  | +    |         |   |
| A1C4  | +    |         | 90% oral information  |
| A2C1  | +    | +       | Orally and written  |
| A2C2  | +    |         | In majority – orally  |
| A2C3  | +    |         | People do not like to read, do not want, they event cannot even read almost               |
| A2C4  | +    | +       | 50/50 (mentioned DIA brochure as theirs) <sup>453</sup>                                   |
| B1C1  | +    |         |   |
| B1C2  | +    |         |   |
| C1C1  | +    | +       | 50/50   |
| C1C2  | +    |         | There is a lot of information in the branch, but it does not mean depositors will read it |
| C1C3  | +    | +       | Equally   |
| D1C1  | +    | +       | Orally plus open our green brochure before them (while speaking) <sup>454</sup>           |
| D1C2  | +    | +       | Orally plus give them written information   |
| D1C3  | +    |         |   |
| D1C4  |      |         | Answer was not recorded   |
| D2C1  |      |         | Answer was not recorded   |
| D2C2  | +    | +       | 50/50: orally plus give them our own brochure   |
| D2C3  | +    |         |   |
| D2C4  |      | +       |   |
| D2C5  | +    | +       | 60% orally, 40% written   |

When asked what steps the bank would take should changes in the DIS occur (Clerks Interview Question 10a), a majority of clerks said that they would update the information stands in the branch (8 clerks of the 22) and informed the depositors orally (12 of the 22 clerks) – the existing depositors when they come to re-new their savings accounts and the new depositors when they want to open an account with the bank.

<sup>453</sup> See footnote below:

<sup>454</sup> Referred to the DIA brochure like to their bank's own.

For example, A1C3 stated they have to change the information stands promptly and will also inform depositors about the changes at the consultation stage.<sup>455</sup> A2C3 mentioned the fact that the depositors come to his branch to receive their monthly pension, or simply to check whether the bank is still there and that this is when they would also update them on any changes in the DIS.<sup>456</sup>

All 4 clerks from Bank D1 mentioned their bank's website as the source of information on changes in the DIS.<sup>457</sup> Only 2 other clerks (of the 5 remaining banks), A1C2 and C1C1, mentioned the Internet as a platform for informing depositors about changes.<sup>458</sup>

With regard to informing depositors individually of any changes, only 3 of the 22 clerks said that it is, or might be done, in their banks. D1C1 said that, though she was not 100% sure, there are updates about any changes sent via the online bank account to those depositors who have access to online banking.<sup>459</sup> A1C2 indicated that, upon signature of the contract, depositors may choose to be updated on any relevant issues, either in a written form or over the telephone.<sup>460</sup> Similarly, D2C3 stated that, whilst she has not contacted the depositors personally, the bank might have been sending out information via email or SMS, as there is such a service to which depositors can subscribe when applying for the service package with the bank.<sup>461</sup>

There were also 5 of the 22 clerks, who explicitly stated that they do not inform the depositors about changes in the DIS personally by post or over the telephone. B1C1<sup>462</sup>

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<sup>455</sup> '<...> мы должны оперативно менять стенд, на этапе консультаций будем говорить об изменениях.' (A1C3)

<sup>456</sup> 'Они заходят часто сюда, мы с ними общаемся, передаем. Они пенсию получают или, бывает, просто заходят – им интересно, здесь ли мы ещё.' (A2C3)

<sup>457</sup> 'Вся информация об изменениях – на нашем сайте.' (D1C2)

<sup>458</sup> 'Если изменения, то <...> размещаем тут на стендах, можем разместить в сети Интернет <...>.' (C1C1)

<sup>459</sup> '<...> также возможно – не могу 100% сказать – у нас есть Интернет-банк и тем, у кого подключен Интернет-банк, новости присылают о том, что происходит, об изменениях любых.' (D1C1)

<sup>460</sup> '<...> информация идёт <...> посредством телефонных звонков <...>. Спрашиваем клиента, каким образом оповещать – письменно или по телефону.' (A1C2)

<sup>461</sup> 'С точки зрения меня, не информирую. Может, банк рассылает маркетинговую информацию по электронной почте или SMS-оповещением, на которые клиенты могут подписаться при подаче заявления.' (D2C3)

<sup>462</sup> 'По телефону мы, конечно, никого не обзваниваем.' (B1C1)

and D2C4<sup>463</sup> said that they did not make individual telephone calls to their depositors. A2C1 argued that, even though they do not work with depositors individually, maybe it is something which needs to be done, but would have to be discussed with the line manager,<sup>464</sup> whilst A2C3 indicated that they did not telephone depositors because there was no such instruction given to them.<sup>465</sup> C1C3 mentioned that, although they did not inform the depositors personally, they would inform the depositors about the changes if they telephoned the branch.<sup>466</sup>

Interestingly enough, clerks from Bank D2, who work as individual client managers, provided two contrasting statements about the update of information to their depositors over the telephone. Whilst, as reported in the paragraph above, D2C4 said that they did not make individual telephone calls, D2C5 stated that he tried to inform all the depositors for whom he had opened a savings account by telephone.<sup>467</sup>

D2C4 also mentioned providing additional training to personnel of the branch should any changes in the DIS necessitate it.<sup>468</sup>

When asked about the information banks provide to the depositors in respect of the DIS (Clerks Interview Question 10), clerks presented the general information given to depositors orally, which is supposed to inform them about the DIS and their rights under the scheme. Table 6.13 below provides an overview of all points mentioned by bank clerks in their answers to this question.

A1C2 stated that she has not worked with new depositors yet (as she has only recently started working with retail depositors<sup>469</sup>), so she could not give a full answer. Her answer to this question included the information on what depositors ask when they come into the

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<sup>463</sup> 'По телефону не обзваниваем.' (D2C4)

<sup>464</sup> 'Отдельно мы с ним не работаем. Может, это и нужно было бы делать как-то – связываться по почте, но это все нужно обговаривать с руководством.' (A2C1)

<sup>465</sup> 'А так специально мы не обзванивали – не было такого указания.' (A2C3)

<sup>466</sup> 'Лично, конечно, никого не информировали. По телефону, допустим, если кто-то звонит, то, естественно, ты ему говоришь, что сумма такая-то.' (C1C3)

<sup>467</sup> 'Своих существующих клиентов, кому я депозиты размещал, старался звонить и информировать об изменении суммы возмещения.' (D2C5)

<sup>468</sup> '<...> проводим дополнительные тренинги с персоналом.' (D2C4)

<sup>469</sup> 'С вкладами буквально недавно работаю.' (A1C2)

branch, rather than what kind of information she would provide to the depositor <sup>470</sup>As a result, this answer will not be included in the total count.

12 of the 21 clerks stated that they would say to the depositors that their bank is a member of the DIS, and these clerks were from Bank A1 (50%), Bank A2 (50%), Bank D1 (100%) and Bank D2 (80%). For example, A2C4 mentioned, in the answer to a different question (Clerks Interview Question 7), that they would tell their depositors not only that the bank is a member of the DIS, but also that 98% of the bank belongs to the state, and that Vladimir Putin is the head of the supervisory council of the head organisation. He added that this provokes interest among the depositors and that they like to hear this.<sup>471</sup>

14 of the 21 clerks (66.7%) would mention the compensation amount.

5 of the 21 clerks (23.8%) would inform the depositors that there will be a compensation if something happens to the bank and 4 of the 21 clerks (19.04%) said that they would say that all deposits are insured.

When it comes to informing the depositors about the process of compensation, there were only 2 clerks who explicitly said that they will convey such information to the depositors, whilst 3 other clerks mentioned that they would cover it if depositors asked specifically about it. In particular, A1C4 stated that she would tell the depositors that all deposits are insured and inform them about the compensation amount. From her experience, depositors then, as a general rule, start taking interest in finding out more about the process of compensation.<sup>472</sup> This was echoed by C1C1, who said that she would inform the depositors about the amount, and the conditions for compensation, but would explain

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<sup>470</sup> 'С новыми клиентами я пока что еще не работала. В основном, они приходят, спрашивают ставки по вкладам, а потом начинают – а у вас как со страхованием. Это их обычный вопрос. Начинаешь рассказывать, что согласно закону о страховании и так далее, и так далее.' (A1C2)

<sup>471</sup> 'Говорим, что мы не только входим в систему страхования вкладов, что мы являемся государственной на 98% структурой, во главе наблюдательного совета которой – Путин, государственный лидер наш российский, что у людей сразу появляется интерес, то есть им приятно это слышать.' (A2C3)

<sup>472</sup> 'Дальше уже клиенты, как правило, начинают идти на контакт и интересоваться более подробно, как это возмещение происходит.' (A1C4)

the process of compensation only if depositors were interested in further information.<sup>473</sup> C1C2 also said that she would tell depositors about the fact that all deposits are insured and will state the compensation amount, after which she would await questions from the depositors.<sup>474</sup>

Some clerks said that they would complement the information provided orally with some written information. For example, D2C1 mentioned that, apart from telling depositors that the bank is a member of the DIS, she would give them their own brochure.<sup>475</sup> A1C3 said that, apart from telling the depositors that the bank is a member of the DIS and that all deposits are insured in full up to RUB 700 000, she would also provide the depositors with a special folder containing information on the DIS.<sup>476</sup> A2C1 stated that she would give depositors a copy of the Federal Law to read and that, as they have a DIA logo in all branches of the bank, depositors see it straight away and, as a consequence, do not ask additional questions.<sup>477</sup>

Overall, it can be seen from the responses that clerks would limit the information to two points, namely the fact that the bank is a member of the DIS and/or the compensation amount. This can be explained with the response given by B1C1, in which she stated that she would inform the depositors about the licence, about the compensation amount, including the fact that it was increased by the ‘so and so’ law, because this is all that depositors are still listening to.<sup>478</sup> C1C3, in her response, also stated that she would

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<sup>473</sup> ‘Какая сумма страхуется, при каких условиях, если что-то происходит, и если человек уже дальше интересуется, то можно рассказать, куда обращаться, что делать.’ (C1C1)

<sup>474</sup> ‘Я ему сообщу, что, естественно, все наши вклады застрахованы, и дальше буду ждать, последуют ли какие-то вопросы, ну, сумму назову.’ (C1C2)

<sup>475</sup> ‘Что наш банк входит в систему страхования вкладов, даю наш собственный буклетик.’ (D2C1)

<sup>476</sup> ‘Что банк является участником системы страхования, что все вклады застрахованы в полном объеме до 700 000, и предоставляем папочку [по страхованию] клиентам.’ (A1C3)

<sup>477</sup> ‘Даем прочитать этот закон, обновленный. У нас этот значок, он всегда сопутствует, во всех отделениях, и клиент сразу же видит, поэтому вопросы дополнительные он особо и не задает <...>.’ (A2C1)

<sup>478</sup> ‘В основном, что банк имеет лицензию, о сумме страхования вкладов, о том, что по данному закону от такого-то числа она была повышена – в принципе, это основное, что они еще слушают.’ (B1C1)

inform depositors about the compensation amount only, because this is what is of greatest interest to depositors nowadays.<sup>479</sup>

Only 3 of the 21 clerks mentioned that they would inform the depositors of the DIA's existence and/or provide the depositors with its contact details. B1C2 stated that she would provide the information about the Agency, which insures the deposits and provide the depositor with its address, because many depositors ask to write it down<sup>480</sup> D2C4 and D2C5 also said that they would tell the depositors who is guaranteeing their deposits<sup>481</sup>.

Only 2 clerks, D1C1<sup>482</sup> and D2C2<sup>483</sup>, mentioned that they would inform the depositors about the fact that accounts in foreign currencies are also insured, and that the compensation will be calculated based on the daily exchange rate of the Central Bank.

Moreover, only C1C1<sup>484</sup> and D2C4<sup>485</sup> stated that they would inform the depositors about the conditions leading to the deposit insurance compensation.

The remaining 5 (of the 17) points, which were covered by 1 clerk each include:

- that the bank is paying out the compensation on behalf of the DIA(bank-agent), mentioned by A1C1;<sup>486</sup>
- that depositors will be informed in case of the insured event over the telephone or via media, mentioned by A2C3;<sup>487</sup>
- that the bank has a banking licence, mentioned by B1C1;<sup>488</sup>

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<sup>479</sup> '⟨...⟩ так как сейчас всех интересует, кто, сколько получит, первым делом называется страховая сумма, то есть всех интересует это.' (C1C3)

<sup>480</sup> '⟨...⟩ Агентство, которое страхует – у нас есть адрес, многие просят адрес записать.' (B1C2)

<sup>481</sup> '⟨...⟩ а также о порядке выплаты и кто гарантирует.' (D2C5)

<sup>482</sup> '⟨...⟩ что сумма в размере 700 000 рублей и эквивалент возмещается.' (D1C1)

<sup>483</sup> '⟨...⟩ что все средства, соответствующие сумме – рубли и валюта по курсу ЦБ – застрахованы ⟨...⟩.' (D2C2)

<sup>484</sup> 'Какая сумма страхуется, при каких условиях, если что-то происходит ⟨...⟩.' (C1C1)

<sup>485</sup> 'Очень подробно я бы не стала говорить – кто, в каких случаях, сумма, какие вклады страхуются.' (D2C4)

<sup>486</sup> '⟨...⟩ что банк также выплачивает клиентам других банков выплаты, то есть по банку-партнеру, который разорился ⟨...⟩.' (A1C1)

<sup>487</sup> 'Что ⟨...⟩ оповестят об этом – сообщат по телефону или в средствах массовой информации ⟨...⟩.' (A2C3)

<sup>488</sup> '⟨...⟩ что банк имеет лицензию ⟨...⟩.' (B1C2)

- that the compensation amount has been increased by the Federal Law in October 2008, mentioned by B1C1;<sup>489</sup> and
- that there are different types of bank accounts that are insured under the DIS, mentioned by D2C4.<sup>490</sup>

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<sup>489</sup> ‘<...> о том, что по данному закону от такого-то числа она была повышена.’ (B1C1)

<sup>490</sup> ‘Очень подробно я бы не стала говорить – кто, в каких случаях, сумма, какие вклады страхуются.’ (D2C4)



**Table 6.13**

Information about the DIS provided to retail depositors by banks

|  |      |      |                  |                  |      |                  |
|--|------|------|------------------|------------------|------|------------------|
| Don't need to worry  |      |      |                  |                  |      |                  |
| Total  | 3    | -    | 4                | 2                | 2    | 3                |
| Type of deposits that are  |      |      |                  |                  |      |                  |
| Give a folder with   |      |      | +                |                  |      |                  |
| Give a brochure  |      |      |                  |                  |      |                  |
| What are the conditions for the compensation                                     |      |      |                  |                  |      |                  |
| Details of the DIA   |      |      |                  |                  |      |                  |
| Reference to Federal Law from October 2008 – when the amount was increased       |      |      |                  |                  |      |                  |
| Bank has a licence   |      |      |                  |                  |      |                  |
| Depositors will be informed [in case of insured event] over the telephone or via |      |      |                  |                  |      | +                |
| There will be a compensation   |      |      |                  |                  | +    | + <sup>493</sup> |
| Give to read the Federal Law   |      |      |                  |                  | +    |                  |
| Process of compensation  |      |      |                  | + <sup>492</sup> |      |                  |
| Amount of compensation   |      |      |                  | +                | +    |                  |
| All deposit are insured  |      |      | +                | +                |      |                  |
| Bank is paying out compensation on behalf of                                     | +    |      |                  |                  |      |                  |
| Bank is a member of the DIA/scheme   | +    |      | +                |                  |      | +                |
| Deposit insured up to RUB 700 000  | +    |      | + <sup>491</sup> |                  |      | +                |
| Clerk  | A1C1 | A1C2 | A1C3             | A1C4             | A2C1 | A2C2             |
|  |      |      |                  |                  |      | A2C3             |

<sup>491</sup> ‘<...> все вклады застрахованы в полном объеме до 700 000 <...>.’ (A1C3)

<sup>492</sup> ‘Дальше уже клиенты, как правило, начинают идти на контакт и интересоваться более подробно, как это возмещение происходит.’ (A1C4)

<sup>493</sup> ‘<...> в любом случае получите эти свои деньги в полном объеме обратно <...>.’ (A2C3)



|  |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
|--|------|----|---|---|----|-------|---|---|---|---|---|---|---|---|---|---|--|---|
| Don't need to worry  |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Total  | 2    |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Type of deposits that are  |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Give a folder with   |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Give a brochure  |      | +  |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| What are the conditions for the compensation                                     |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Details of the DIA   |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Reference to Federal Law from October 2008 – when the amount was increased       |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Bank has a licence   |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Depositors will be informed [in case of insured event] over the telephone or via |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| There will be a compensation   |      |    |   |   |    |       | + |   |   |   |   |   |   |   |   |   |  |   |
| Give to read the Federal Law   |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Process of compensation  |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Amount of compensation   |      |    |   |   | +  |       |   |   |   |   |   |   |   |   |   |   |  |   |
| All deposit are insured  |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Bank is paying out compensation on behalf of                                     |      |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Bank is a member of the DIA/scheme   | +    | +  |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Deposit insured up to RUB 700 000  | +    | +  |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
| Clerk  | D1C4 |    |   |   |    |       |   |   |   |   |   |   |   |   |   |   |  |   |
|  | D2C1 |    | + |   |    |       |   |   |   |   |   |   |   | + |   |   |  |   |
|  | D2C2 | +  | + |   |    |       |   | + |   |   |   |   |   |   |   |   |  |   |
|  | D2C3 |    | + |   | +  |       |   |   |   |   |   |   |   |   |   |   |  |   |
|  | D2C4 |    |   |   | +  |       |   |   |   |   |   | + | + |   |   | + |  |   |
|  | D2C5 |    | + |   | +  | +     |   | + |   |   |   | + |   |   |   |   |  |   |
| Total  | 5    | 12 | 1 | 4 | 14 | 2 (5) | 1 | 5 | 1 | 1 | 1 | 3 | 2 | 2 | 1 | 1 |  | 3 |

<sup>497</sup> ‘<...> и о том, что <...> вклад застрахован, и сумма 700 000.’ (D1C4)

<sup>498</sup> ‘Что наш банк входит в систему страхования вкладов, даю наш собственный буклетик.’ (D2C1)

<sup>499</sup> ‘<...> что все средства, соответствующие сумме – рубли и валюта по курсу ЦБ – застрахованы <...>.’ (D2C2)

There were also 2 of the 21 clerks who, in their responses, used statements aimed at comforting the depositors by saying that they should not worry. To illustrate, A2C3 used the words ‘and you do not need to worry’ as the ending to her explanation of the DIS to the depositors,<sup>500</sup> and D1C3 used the wording ‘so that they do not worry’ when referring to the depositors.<sup>501</sup> This differs from the statement made by D1C1, who said that she would hope that the depositors could be 100% confident that, even if something happens, they would get their money and that this is the main thing they want to hear.<sup>502</sup>

D2C4 stated that she would not provide too many details to the depositors, only details of who is responsible for payment of the compensation, what the conditions are, the amount of compensation, and what type of savings accounts are insured.<sup>503</sup>

D2C5 stated that, whilst he would say that the bank is a member of the DIS and that, in case of unfavourable conditions, a depositor would receive the amount on his savings account up to RUB 700 000 as well as explaining the process of the compensation and who guarantees the deposits, he would not use any negative words, which would incline depositors towards negative thoughts. He added that he attunes the depositors positively because when it comes to the reputation of the bank, one should not use word ‘bankruptcy’.<sup>504</sup>

## Senior Bank Staff Responses

When asked about the information banks provide to the depositors with respect to the DIS (Heads of Branch Interview Question 9; Marketing Staff Interview Question 9), senior bank staff talked mostly about the types of information which is provided to

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<sup>500</sup> ‘<...> и что можете не переживать.’ (A2C3)

<sup>501</sup> ‘<...> чтобы <...> не переживали <...>.’ (D1C3)

<sup>502</sup> ‘Так что они могут быть стопроцентно уверены в том, что даже, если что-то случится, они их получат. Это главное, что они хотят слышать.’ (D1C1)

<sup>503</sup> ‘Очень подробно я бы не стала говорить – только кто, в каких случаях, сумма, какие вклады страхуются.’ (D2C4)

<sup>504</sup> ‘Что наш банк входит в систему страхования вкладов и в случае неблагоприятных условий клиент получит сумму вклада до 700 000 рублей, а также о порядке выплаты и кто гарантирует. Мы пытаемся не говорить негативные слова, которые настраивают клиента на отрицательную волну. Когда речь идет о репутации банка, употреблять слово «банкротство» нельзя. Я настраиваю клиентов позитивно.’ (D2C5)

depositors, rather than the exact information which is conveyed, about which the clerks commented.

The responses of senior bank staff will be looked at on a bank by bank basis for the ease of comparison between banks as well as comparison with responses of clerks.

According to A1B1, Bank A1 provides depositors with a copy of the Federal Law, and with the information on how to get the compensation. In addition, Bank A1 displays the certificate of membership in the DIS and the stickers supplied by the DIA in each branch.<sup>505</sup>

A2B1 stated that, in his opinion, they fully inform depositors about deposits,<sup>506</sup> and that Bank A2 displays all information about the DIS on information stands in the branches and puts up stickers which allow depositors to see that the bank is a member of the DIS.<sup>507</sup> He added that they also have brochures which contain information on the DIS, and said that they give such brochures out to each depositor.<sup>508</sup> Whilst he was referring to the standard, green brochure issued by the DIA, it was not clear whether he was aware that these brochures are not a creation of Bank A2, and that all other banks have the same brochures.

As for Bank B1, B1M1 indicated that the bank would inform the depositors about the amount of compensation, about the bank's membership in the DIS and about the DIA, which is responsible for the DIS and would organise the process of compensation, should the bank fail. She also referred to the availability of information materials, including the standard, green brochure which Bank B1 had recently received from the Northwest Association of Banks.<sup>509</sup> Whilst B1M1 referred mainly to the oral information provided to

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<sup>505</sup> “У нас есть, во-первых, закон о страховании вкладов, во-вторых, информация о том, как они могут получить возмещение <...>, где они могут получить возмещение <...>, непосредственно, само свидетельство <...>. У нас есть <...> наклейки, что мы являемся участником [системы].” (A1B1).

<sup>506</sup> “Мне кажется, что мы полностью клиента информируем по тому, что касается вкладов.” (A2B1).

<sup>507</sup> “У нас есть вся информация на стендах, потом есть наклейки <...>, по которым люди видят, что банк находится в системе страхования вкладов <...>.” (A2B1).

<sup>508</sup> “У нас есть еще такие буклеты, которые мы выдаем каждому вкладчику <...>.” (A2B1).

<sup>509</sup> “Прежде все это сумма страхового возмещения и то, что банк включен в систему страхования, и то, что в случае каких-то сложностей, Агентство по страхованию вкладов несёт ответственность и организует работу по возврату денежных средств вкладчиков. <...> так же

the depositors, 2 heads of branch also described the written information which is displayed in the branches of the bank.

B1B1 mentioned the availability of excerpts from the Federal Law, including the course of action in case of an insured event, and other reference materials, which would allow depositors to obtain the most complete information.<sup>510</sup> He added that the information is displayed on the information stands in the branch, including the colour copy of the certificate confirming the membership of the bank in the DIS, brochures and the stickers which are displayed wherever possible.<sup>511</sup>

B1B2 said that the provision of information on the DIS is stipulated by the internal procedures,<sup>512</sup> and that they provide all information which is available in open access, for example on the website of the DIA, which includes the Federal Law and explanatory notes,<sup>513</sup> the brochures about the DIS, which have been developed specifically for Bank B1.<sup>514</sup> Moreover, the information is also contained in the contract of bank account.<sup>515</sup>

The senior bank staff from Bank C1, although not contradicting each other, referred to different aspects of the information provision. C1M1, as in case of the response from the marketing officer from Bank B1, stated that, in the main the information which is provided to the depositors is oral, whilst C1B1 concentrated mostly on where such information is provided in the branch.

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у нас есть информационные материалы и буквально недавно мы получили [брошюры], по моему, из Ассоциации банков северо-запада <...>.” (B1M1).

<sup>510</sup> “Выдержки из закона, то есть все положения <...>, которые касаются информирования населения, в том числе порядок действий в случае наступления страхового случая, <...> [и] справочная информация, которая позволит клиенту наиболее полно получить информацию <...>.” (B1B1).

<sup>511</sup> “<...> включая цветную копию свидетельства, что мы являемся участниками системы страхования вкладов. Затем, справочная информация <...> в виде буклетов <...> доступна в зале и стикеры наклеены везде, где только можно.” (B1B1).

<sup>512</sup> “Вообще размещение информации о страховании прописано внутренними порядками.” (B1B2).

<sup>513</sup> “Всю информацию, которая есть в открытом доступе, как на сайте АСВ, то есть <...> федеральный закон, разъяснения по этому закону.” (B1B2).

<sup>514</sup> “<...> у нас есть брошюры по страхованию вкладов, разработанные непосредственно под наш банк <...>.” (B1B2).

<sup>515</sup> “<...> помимо этого еще информация естественно присутствует в договоре.” (B1B2).

C1M1 said that they inform depositors about the amount of compensation and the timings involved in the process of compensation,<sup>516</sup> and that advertisements and emails sent to depositors include information that the bank is a member of the DIS.<sup>517</sup> C1B1 stated that each of their marketing flyers and posters, displayed in the branch, have information on the bank's membership in the DIS and that they have special, green brochures, which contain information solely about the DIS.<sup>518</sup>

D1B1 indicated that Bank D1 informs the depositors about how the DIS works, provides them with the green brochure, printouts of the Federal Law, even though there were no clients who read it straight away, and keeps a special folder containing all necessary information in branch.<sup>519</sup>

With regard to Bank D2, whilst all the necessary information is displayed in the branches, both responses from the senior bank staff indicated that the depositors are not automatically directed to this information.

D1B1 stated that when depositors come to the bank, they already possess the information about the DIS, and that, if requested, they will be directed to the information stand, which displays a copy of the Federal Law, including all amendments, and the certificate confirming the membership of the bank in the DIS.<sup>520</sup> Moreover, D1B1 claimed that all employees of the branch, irrespective of their position, know how the DIS works.<sup>521</sup> D2B2 mentioned that they try to follow the recommendations issued by the DIA and display stickers and the certificate confirming the bank's membership in the

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<sup>516</sup> “В первую очередь о сумме возмещения и о сроках возмещения.” (C1M1).

<sup>517</sup> “<...> в рекламе, либо когда в электронном виде я отправляю письмо клиенту, я обязательно указываю, что банк является участником системы страхования вкладов под номером таким-то от такого-то числа.” (C1M1).

<sup>518</sup> “У нас в каждом рекламном буклете указано, что банк входит в систему страхования вкладов, плакаты, размещенные в дополнительном офисе, также об этом говорят. <...> у нас есть специальные буклеты, которые рассказывают исключительно о системе страхования вкладов.” (C1B1).

<sup>519</sup> “Мы рассказываем о механизме [работы системы страхования], у нас есть специальная папка для клиентов, [также] мы выдаем буклет и распечатываем федеральный закон. Правда, не было клиентов, которые сразу бы читали закон.” (D1B1).

<sup>520</sup> “По запросу [показываем] стенд возле кассы с федеральным законом со всеми изменениями и свидетельством. <...> Когда клиент приходит в банк, он уже обладает информацией.” (D2B1).

<sup>521</sup> “<...> все сотрудники, вне зависимости от должности, знают о работе системы страхования вкладов.” (D2B1).

DIS, and the text of the Federal Law in open access, as well as bank's own brochures on this subject.<sup>522</sup> However, she noted that depositors very often question the authenticity of the stickers when they see them.<sup>523</sup> Finally, she added that, whilst they inform depositors about the DIA and its operation, the compensation amount and the process of compensation under the DIS, they simply inform new depositors as necessary.<sup>524</sup>

When asked whether their bank provides more oral than written information about the DIS (Heads of Branch Interview Question 10, Marketing Staff Interview Question 10), senior bank staff gave the following answers.

It appears that Bank A1 and Bank C1 provide information mostly orally, and supplement it with either a brochure or the information displayed on the information stands in branches. When prompted to explain his response, A1B1 noted that, even if the depositors come into the branch and read the brochure, the information contained in the brochure would rather raise the questions to depositors, and they would want to clarify whether they have understood something correctly or not.<sup>525</sup> C1M1 explained the prevalence of the information provision orally by referring to the fact that depositors who come to open a bank account do not look at the written information displayed in the branch.<sup>526</sup> He stated that they display sufficient written information, but depositors would read it only if they have a few minutes whilst they wait in the branch, provided the depositors are interested at all.<sup>527</sup> In his response C1B1 said that, because Bank C1 is not

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<sup>522</sup> “Стараемся соблюдать рекомендации, данные банкам. <...> наклейки, сертификат, 177 ФЗ в открытом доступе, внутренние брошюры по этой теме.” (D2B2).

<sup>523</sup> “Очень часто говорят: «Замечательно, что у вас есть наклейки, а вдруг они фальшивые?».” (D2B2).

<sup>524</sup> “Что есть <...> Агентство по страхованию вкладов и его деятельность, размер и порядок выплат. <...> Каждому встречному не кричим, новых клиентов информируем по мере необходимости.” (D2B2).

<sup>525</sup> “В большей степени устно, но у нас есть рекламка, но все равно клиент, придя, прочитает рекламу <...> [и] у него скорее возникают вопросы. Он всегда хочет уточнить, <...> правильно ли он все понял.” (A1B1).

<sup>526</sup> “<...> но клиент, который приходит с целью открыть вклад, он не смотрит на эти стенды и папки <...>.” (C1M1).

<sup>527</sup> “Письменной информации достаточно много <...>. <...> если у клиента есть время, минутки три или четыре или более, во время оформления вклада, либо какой-то другой операции, то клиенты садятся и смотрят эти папки, смотрят на стенде информацию. Но в зависимости от клиента, на сколько это ему интересно.” (C1M1).



such a large bank, in principle, they work with each depositor individually, and convey information orally. He added that, naturally, should they choose to, depositors can also acquaint themselves with the written information displayed in the branch.<sup>528</sup>

Contrary to responses from Banks A1 and C1, senior bank staff from Bank D1 and Bank D2 noted that their banks, whilst also providing information orally, placed more emphasis on providing information in written form. D2B1 stated that the majority of the information on DIS is written,<sup>529</sup> and D2B2 specified that they would convey to the depositors the key features, like the existence of the DIS, the compensation amount and the process of the compensation, but would also give each depositor a document pack, which would include their own brochure, with the necessary information on the DIS.<sup>530</sup> D1B1 said that they provide information both orally and in written form, with the latter, in her opinion, being very important for depositors.<sup>531</sup>

In the case of Bank B1, there was no coordination in the responses given by this bank's senior staff. Whilst B1B1 mentioned above all, the written information on the DIS, both B1B2<sup>532</sup> and B1M1 stated that their bank provides information predominantly in an oral form.

B1B1 said that, first of all, the information is displayed on the information stands in the branch, then the clerks inform the depositors that the bank is a member of the DIS and, if depositors want to know something in more detail, they are provided with such information.<sup>533</sup> B1M1 explained her response by stating that the main points are

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<sup>528</sup> “<...> наш банк не столь крупный банк, поэтому, в принципе, у нас идет индивидуальная работа с каждым вкладчиком <...>, поэтому мы новую информацию доносим устно до него. Естественно, это не означает, что он не имеет возможности и если он хочет, он может спокойно ознакомиться и с письменной информацией.” (C1B1).

<sup>529</sup> “Письменно.” (D2B1).

<sup>530</sup> “И устно, и письменно. Устно мы рассказываем ключевые моменты – что есть система страхования вкладов, какова страховая сумма и порядок возмещения. Также любому клиенту дается пакет документов, в том числе [наша] брошюра.” (D2B2).

<sup>531</sup> “И то, и другое. [Для клиентов] важно письменно.” (D1B1).

<sup>532</sup> “Устно.” (B1B2).

<sup>533</sup> “В первую очередь, это информация на стендах в банках <...>. И, естественно, сотрудники уведомляют, что банк является участником системы страхования вкладов, но, если клиент какую-то подробную информацию просит узнать, то вся она подается.” (B1B1).

conveyed mainly orally because, in practice, people may be lazy, and may not read the written information at all.<sup>534</sup>

As for Bank A2, A2B1 was undecided in his response to this question, and could not say whether or not the bank is providing the information on the DIS mostly orally or in written form. He did, however, mention that, in his opinion, the written form is not convenient for depositors.<sup>535</sup>

When asked about how they inform the depositors about the changes in the DIS (Heads of Branch Interview Question 14, Marketing Staff Interview Question 14), the senior bank staff would equally update the information stands in the branch (6 responses of the 9) and inform the depositors orally (6 responses of the 9).<sup>536</sup> The overview of all methods used by banks when informing depositors about the changes in the DIS is presented in Table 6.14 below.

A1B1 stated that staff in Bank A1 would inform depositors about the changes in the DIS when they come into the branch.<sup>537</sup>

A2B1 said that, in Bank A2, when the information on changes comes from the head office, they would display the new information on the information stands and all new depositors or existing depositors, who come to re-new their bank account, will receive this information immediately.<sup>538</sup> When prompted, he also stated that they do not normally

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<sup>534</sup> “<...> все-таки больше основные моменты они как-то устно доносятся, потому что письменную информацию, как показывает практика, люди, могут просто не прочитать, лениться.” (B1M1).

<sup>535</sup> “Письменно, мне кажется, неудобно для клиента. У нас не спрашивают. Буклеты прочитал – письменно, потом спросил – устно, если что-то не понятно, то мы можем ему прислать распечатать.” (A2B1).

<sup>536</sup> The response of B1M1 to this question was not recorded.

<sup>537</sup> “Непосредственно, когда они приходят в банк.” (A1B1).

<sup>538</sup> “К нам приходит с головного офиса [информация] <...>. Мы это размещаем на стойках, стендах, в кассе. Если это какая-то новая горячая информация, то каждый новый вкладчик или старый [, когда] приходит переоформлять, то он сразу же получит эти изменения.” (A2B1).

telephone existing clients, and that they did not do it when the compensation amount changed to RUB 700,000.<sup>539</sup>

**Table 6.14**

Methods used by banks in order to inform retail depositors about the changes in the DIS

| Clerk | In person | Information stands | SMS | Email | Telephone | Website | Online banking |
|-------|-----------|--------------------|-----|-------|-----------|---------|----------------|
| A1B1  | +         |                    |     |       |           |         |                |
| A2B1  | +         | +                  |     |       |           |         |                |
| B1B1  |           | +                  | +   |       |           |         |                |
| B1B2  | +         | +                  |     |       |           |         |                |
| B1M1  |           |                    |     |       |           |         |                |
| C1B1  | +         | +                  |     |       |           |         |                |
| C1M1  |           | +                  |     |       |           |         |                |
| D1B1  |           | +                  |     | +     | +         | +       | +              |
| D2B1  | +         |                    |     |       |           |         |                |
| D2B2  | +         |                    |     |       | +         |         |                |
| Total | 6         | 6                  | 1   | 1     | 2         | 1       | 1              |

In the case of Bank B1, both B1B1 and B1B2 stated that they would update the information stands, and each added other ways to inform the depositors about the changes in the DIS.

B1B1 stated that the changes, which do not concern the immediate relationship between the bank and the existing depositor, would be displayed on the information stands. He added that, if changes would relate the contract of the bank account, then they would inform the existing depositors via, for example, SMS-notification.<sup>540</sup> When prompted, he also stated that, in October 2008, it was only necessary to update the information stands,

<sup>539</sup> “<...> практики [обзванивания] у нас нет. <...> когда было изменение до 700 000, то мы этого не делали.” (A2B1).

<sup>540</sup> “Обновления идут на информационном стенде, то есть, если это не касается непосредственно отношения нашего банка с нашими конкретным клиентом <...>. Если же эта информация отражается на условиях договора <...>, то мы клиентов уведомляем, <...> в том числе и SMS-информированием.” (B1B1).

because TV and newspapers played a major part in the coverage of the changes in the DIS.<sup>541</sup>

B1B2 indicated that, apart from updating the information stands in the branch,<sup>542</sup> they would inform the depositors personally when they come to the branch, provided depositors are interested.<sup>543</sup>

Both senior bank staff from Bank C1 stated that they would update the information stands and special folders on the DIS.<sup>544</sup> C1B1 explained that, in all likelihood, there will be different approaches to different depositors: existing depositors will be informed orally when they come to the branch to renew their bank account or for any other reason, potential depositors would be informed via the updated information stands, and those clients who do not have deposits, but use the banks for other services, would be informed via the information displayed in branch.<sup>545</sup>

As for Bank D1, even though the branch where D1B1 worked was opened only after the changes were implemented in October 2008, staff would be very proactive and, apart from updating the information stands in the branch, they would inform existing depositors by email and over the telephone. They would also update the website, and place an announcement in the online banking website.<sup>546</sup> D1B1 added that they even inform existing depositors about new savings accounts.<sup>547</sup>

It appears that Bank D2 would also be proactive in informing the depositors about the changes in the DIS, however, it would depend on the type of depositor affected.

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<sup>541</sup> “Для этого достаточно было просто обновить информацию на стендах, а так телевидение и газеты сыграли очень большую роль в освещении.” (B1B1).

<sup>542</sup> “Информация размещается сразу же <...>.” (B1B2).

<sup>543</sup> “При личном присутствии. <...> Но опять-таки, если это интересно клиенту.” (B1B2).

<sup>544</sup> “Обязательно должно быть объявление в операционном зале, это на стенде и в папке <...>.” (C1M1).

<sup>545</sup> “Скорее всего, тех клиентов, <...> у которых размещены вклады, мы их проинформируем в тот момент, когда они придут к нам по своим делам. Потенциальных клиентов мы проинформируем размещением информации в помещениях дополнительного офиса. Скорее всего, разместим аналогичную информацию в кассовом узле для тех клиентов. Которые не размещают у нас вклады, но, скажем, пользуются услугами.” (C1B1).

<sup>546</sup> “Изменений мы не застали. Мы поддерживаем коммуникацию постоянно, по электронной почте, обзваниваем существующих клиентов. Мы также повесим объявление в отделении банка, на нашем сайте и в системе интернет-банкинга.” (D1B1).

<sup>547</sup> “<...> обзваниваем клиентов о новых депозитных продуктах.” (D1B1).

According to D2B2, they have key depositors with whom they work proactively and inform them of changes over the telephone. As for the other existing depositors, they do not appear to have any deliberate course of action in place to inform them about the changes. D2B2 noted that new depositors would be informed about the changes when they come to the branch for the first time.<sup>548</sup>

D2B1 added that, when the changes were introduced in October 2008, Bank D1 were oriented towards investments, not deposits, and therefore only informed the depositors when they came to the branch.<sup>549</sup>

### **6.3 Findings from the Interviews in Relation to Objective 2 “To Strengthen Public Confidence in the Banking System”**

As shown in Table 4.3 in Chapter 4, there are four impact indicators related to Objective 2. The impact indicators to be evaluated with the data from the interviews are impact indicators 2.1.2 and 2.1.4. The remaining indicators are examined in Chapters 5 and 7 and in Sections 6.2 and 6.4 of this chapter.

#### **6.3.1 Depositors Are Confident in the Banking System (Impact Indicator 2.1.2)**

Senior bank staff were asked whether, in their opinion, the level of depositors’ confidence in the banking system has changed (Heads of Branch Interview Question 23, Marketing Staff Interview Question 22). In addition, if heads of branch confirmed a change in depositors’ confidence in the banking system, they were prompted to state whether the DIS was the only reason for such a change, or if they thought there were other reasons as well (Heads of Branch Interview Question 23a).

8<sup>550</sup> senior bank staff said that the level of depositors’ confidence in the banking system had increased, and A1B1 even called it the most principal advantage of the DIS.<sup>551</sup>

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<sup>548</sup> “Есть ключевые клиенты – мы их обзваниваем в любом случае, действуем проактивно. По текущим клиентам целенаправленная работа не ведется, а новым клиентам сразу сообщаем об изменениях.” (D2B2).

<sup>549</sup> “Когда были изменения, мы были ориентированы на инвестиции, поэтому информировали клиентов устно.” (D2B1).

When asked to explain his opinion, A2B1 referred to the example of depositors from another bank, who were using Bank A2, an agent of the DIA in that case, to get compensation under the DIS. He said they were heartbroken, but when coming to Bank A2 for their compensation, they could see that they were not left alone, that they could get compensation or transfer their money to Bank A2, and that there was no risk involved<sup>552</sup> D2B2 stated that depositors' confidence in the banking system increased because state guarantees boost public confidence<sup>553</sup>.

D2B1 said that, based on statistics, it is clear that depositors have more confidence in banks rather than in other money -saving methods.<sup>554</sup> In his answer, C1B1 recalled the default in 1998, when there were no banks whose financial stability had not suffered from the bank run. He compared that time to the last quarter of 2008 and, said that the situation had changed, that the depositors' confidence had strengthened and that they had become a lot calmer<sup>555</sup>.

B1M1 stated that, whilst she thinks that the level of depositors' confidence has increased, she found this question difficult as, in general, the confidence level should have increased, especially when people could see that the process of compensation works. She could not say, however, to what extent the confidence level has increased.<sup>556</sup>

C1B1 said that, in terms of depositors' saving behaviour, there was a general shift from state-owned banks to privately-owned banks since the introduction of the DIS. He

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<sup>550</sup> D1B1 said that the level of confidence increased.

<sup>551</sup> “<...> самый главный плюс, который произошел, – это повышение доверия.” (A1B1).

<sup>552</sup> “Конечно, больше [доверия стало], потому что даже клиенты, которых мы переманивали <...>, они же приходили убитые горем. А тут они видят, что их не бросили, что им выплачивают или предлагают перевести [деньги], что риска никакого [нет].” (A2B1).

<sup>553</sup> “Мне кажется, люди стали больше доверять банкам. Гарантии со стороны государства доверие укрепляют.” (D2B2).

<sup>554</sup> “По статистике можно увидеть, что банками доверяют больше, чем «замкам» и прочему.” (D2B1).

<sup>555</sup> “Вспоминая несколько последних месяцев прошлого года, могу сказать, что доверие укрепилось, ибо вот в 1998 году в этой же ситуации не было ни одного банка, финансовая устойчивость которого не пострадала от поведения вкладчиков. Сейчас ситуация изменилась, сейчас вкладчики гораздо более спокойными стали <...>.” (C1B1).

<sup>556</sup> “<...> на самом деле [это] сложный вопрос, потому что в целом я думаю, что с момента введения системы страхования вкладов доверие должно было вырасти, особенно, когда стал механизм этот работать, и люди <...> увидели, что действительно эта система работает. Думаю, что выросло, но намного ли? Не могу сказать.” (B1M1).

explained that, whereas before the introduction of the DIS the lion's share of depositors only knew about Sberbank, after the introduction of the DIS, the depositors had a chance to look to the left and look to the right and be certain that, by looking to the left, they would not lose anything. That is why, in his opinion, the depositors started to re-distribute their savings accounts, and that the number of deposits with other banks has increased. C1B1 also added that, because the number of banking services available to depositors in other banks is higher than in Sberbank, it also led to an increase in depositors' financial literacy.<sup>557</sup>

In his response, A1B1 could not separate depositors' confidence in the banking system and their saving behaviour, and said that the only way to assess confidence is by looking at depositors' saving behaviour. In the case of his bank, he described the increase in saving behaviour, and thus, in deposits, as a geometric sequence. He added that such an increase in deposits means that depositors trust the banking system more and more.<sup>558</sup>

When asked about whether the establishment of the DIS was the sole reason for the increase in the depositors' confidence in the banking system, B1B1 attributed the 99% of the increase in confidence to the introduction of the DIS, because, in his opinion, the Russian population trusts only state guarantees.<sup>559</sup>

D2B1 said that it is difficult to say whether the DIS was the only reason for the increase in the level of depositors' confidence in the banking system. He added that, in general, people's confidence in the state and in the country has increased, as can be seen from the

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<sup>557</sup> “<...> до введения системы страхования вкладов львиная доля вкладчиков знала только Сбербанк <...>. После введения системы страхования вкладов, поскольку у вкладчиков появилась возможность посмотреть налево, направо и быть уверенным, что, посмотрев налево, они ничего не потеряют, стали вклады перераспределяться, увеличилось количество вкладов в других банках и, соответственно, поскольку в других банках зачастую количество услуг банковских для физических лиц было больше, чем в Сбербанке, то и, соответственно, [финансовая] грамотность населения <...> повысилась.” (C1B1).

<sup>558</sup> “Доверие, оно в чем заключается? <...> мы можем оценивать только по тому, как люди несут деньги <...>. Просто на образе нашего банка, это геометрическая прогрессия, то есть это не уменьшение, а увеличение постоянное. И это увеличение просто говорит нам о том, что вкладчики все больше и больше доверяют банковской системе.” (A1B1). ZZZ

<sup>559</sup> “Ну, скажем, так, наверное, <...> 99% связано именно с этим, потому что люди в России доверяют только государственным гарантиям.” (B1B1).

results of the recent elections, and that people may identify the DIA with the state and that this only or in addition to the fact of Agency's existence may explain the rise in confidence.<sup>560</sup>

C1B1 and D1B1's responses were not recorded.

Other possible reasons for the increase in the depositors' confidence in the banking system included:

- more information available about banks in general, mentioned by A2B1;<sup>561</sup>
- more banking products and services became available and used by the general public, mentioned by A2B1<sup>562</sup> and C1B1, which also resulted in an increase in the level of financial literacy of the population;<sup>563</sup>
- the increased number of banks across Russia, which led to more choice for depositors, mentioned by B1B2;<sup>564</sup> and
- the fact that there have been no high-profile bankruptcies in a long time, mentioned by D1B1.<sup>565</sup>

### 6.3.2 Depositors Keep Their Savings Accounts in Times of Economic Uncertainty in the Country (Impact Indicator 2.1.4)

In response to a question about the change in depositors' perception of the DIS (Heads of Branch Interview Question 24, Marketing Staff Interview Question 23), the senior bank staff gave the following answers.

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<sup>560</sup> “В целом доверие к государству, стране возросло, как показывают результаты выборов. <...> Трудно сказать, сам факт наличия АСВ или то, что люди отождествляют его с государством, или всё вместе. ” (D2B1).

<sup>561</sup> “Просто о банках стали больше рассказывать везде.” (A2B1).

<sup>562</sup> “Люди стали больше за кредитованием в банки обращаться, пластиковые карты дали. Народ стал больше обращаться к банковским услугам и приобщился. Раньше их не загонишь. Просто народ побаивался.” (A2B1).

<sup>563</sup> “Я думаю, что есть еще причина, связанная с тем, что у нас был финансовый рост на протяжении последних 10 лет, докризисных, и, соответственно, появлялось все больше и больше возможностей у населения пользоваться банковскими услугами, и, соответственно, повышалась грамотность населения в этом смысле.” (C1B1).

<sup>564</sup> “<...> это увеличение количества банков, то есть если раньше это было пять, то сейчас – тысяча. <...> и в каждом банке свои условия, в каждом банке есть своя какая-то эксклюзивная фишка <...>. То есть у людей появился выбор.” (B1B2).

<sup>565</sup> “Громких банкротств не было давно, может, поэтому клиенты доверяют банкам.” (D1B1).



A2B1 reported that they had been worried that depositors would take their money out in autumn 2008, when the bank was in financial difficulties. He said a withdrawal of deposits took place, but it was minimal.<sup>566</sup>

B1B1 gave an interesting account of what has happened since October 2008. He said that, when the devaluation of the national currency started, depositors started taking money from the banks because they did not know what would happen. However, when depositors saw the foreign currency strengthen, they exchanged the national currency into foreign currency and brought their money back to the banks, thus diversifying risks. He added that, in principle, depositors' confidence in the banking system has not been undermined by the financial crisis,<sup>567</sup> but indeed the quality of their confidence has increased as they now understand that they can trust the DIS<sup>568</sup> and gather more information to be informed.

B1B1 also noted that the increase in the maximum compensation amount in October 2008 has significantly impacted on the level of depositors' confidence in the banking system and that, as a result, the government managed to avert the crisis in the banking system.<sup>569</sup> Moreover, he stated that if not the DIS and not the increase in the compensation amount to RUB 700,000 in October 2008, then the banking crisis would have affected Russia much more than other countries.<sup>570</sup>

B1M1 stated that, during the financial crisis among depositors, there was a tendency to switch banks and transfer their savings from privately-owned banks to state-owned

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<sup>566</sup> “В этот период мы боялись потерь депозитов <...>, но такого не было. Был отток, но минимальный.” (A2B1).

<sup>567</sup> “Когда рубль стал девальвироваться, <...> люди стали забирать деньги из банков, то есть, они не знали пока, что будет происходить. Но когда [они] увидели, что начинали крепнуть доллар, евро, они сразу деньги отнесли в банки обратно, просто диверсифицировав свои риски и направив все эти средства, рублёвую массу, на валюту. <...> но, в принципе, доверие не подорвано было этим кризисом.” (B1B1).

<sup>568</sup> “<...> они уже знают, что можно доверять этой системе, и уже качество этого доверия выше.” (B1B1).

<sup>569</sup> “<...> достаточно серьезно повлияло на уровень доверия клиентов увеличение <...> страховой базовой максимальной суммы.” (B1B1).

<sup>570</sup> “То есть, если бы этого не было, если бы в октябре [2008 года] сумма страховых выплат не была увеличена до 700 000, то нас бы банковский кризис затронул больше, чем остальные страны.” (B1B1).

banks, but this flow was not as critical as it could have been,<sup>571</sup> because there was an increase in the maximum compensation amount.<sup>572</sup> However, B1M1 noted that, with respect to Bank B1, there were no big withdrawals by depositors during the unstable situation in the banking system in autumn 2008.<sup>573</sup>

D1B1 stated that, whilst in general the depositors' confidence increased, all banks experienced an outflow of deposits in autumn 2008.<sup>574</sup>

## **6.4 Findings from the Interviews in Relation to Objective 3 “To Encourage Household Savings in the Banking System of the Russian Federation”**

As shown in Table 4.3 in Chapter 4, there are five impact indicators related to Objective 3. The impact indicators to be evaluated with the data from the interviews are impact indicators 3.1.1, 3.1.2 and 3.1.3. The remaining indicators are examined in Chapters 5 and 7 and in Sections 6.2 and 6.3 of this chapter.

### **6.4.1 The Public Opens More Savings Accounts and/or Increases the Value of Existing Savings Accounts (Impact Indicator 3.1.1)**

When asked whether there were any changes in the structure of deposits (either an increase in the number of deposits or an increase of amounts in savings accounts) in the bank from the establishment of the DIS (Heads of Branch Interview Question 8; Marketing Staff Interview Question 8), senior bank staff provided the following responses.<sup>575</sup>

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<sup>571</sup> “<...> переток в банковской сфере в связи с кризисом из частных банков в государственные, он тоже наблюдался в целом по рынку, но я все-таки считаю, что оттоки денежных средств в государственные банки, они были не такие критичные, как могли бы быть.” (B1M1).

<sup>572</sup> “<...> потому что увеличили сумму гарантированного возмещения денежных средств по вкладам.” (B1M1).

<sup>573</sup> “У нас не было больших выносов денежных средств в связи с началом нестабильной ситуации в банковской системе, которое осенью наблюдалось.” (B1M1).

<sup>574</sup> “Доверие увеличилось, но осенью все банки испытали отток.” (D1B1).

<sup>575</sup> The response of D1B1 to this question was not recorded. D1B1 was not able to comment because the branch was opened only a few months before the interview.

According to A1B1, Bank A1 witnessed both an increase in the number of savings accounts opened since the establishment of the DIS, and an increase in the amounts deposited by the bank's clients. He stated that, when the DIS was introduced, the depositors distributed their money across different banks and opened several savings accounts up to the maximum compensation amount, RUB 100,000 at the time. Furthermore, as the maximum compensation amount has been increasing over the years, depositors have been amalgamating their scattered savings into one bank and, in the opinion of A1B1, it has not only been convenient for depositors, but also beneficial for Bank A1.<sup>576</sup>

A2B1 also confirmed that there was an increase in the amounts in the savings accounts in Bank A2. He said that he could see the increase especially in the last six months, when the amounts rose from under RUB 200,000 to RUB 300,000 minimum and even more.<sup>577</sup> When prompted to name the reasons for such an increase, he did not think that this was due to people getting more money than before, but more likely due to them having savings account in other banks or savings at home. He argued that people, by finding out more about savings accounts, got more educated, and they are not afraid that they will be betrayed and will not get a compensation.<sup>578</sup> However, he pointed out that there are few and far savings accounts with amounts of more than RUB 700,000, because the maximum compensation amount, in his opinion, is a psychological barrier for people.<sup>579</sup>

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<sup>576</sup> “Увеличились и количество и суммы открытия вкладов. <...> [Вкладчик мог] раньше пойти, допустим, разложить там по 100 000. У нас в Санкт-Петербурге банков достаточно для того, чтобы сделать много вкладов, но теперь <...> как только страховая сумма увеличилась, то клиенту не нужно теперь бегать и раскладывать <...> Он может прийти в один банк и положить 700 000. Это стало удобнее для клиента, ну и в целом для банка, для нас полезно.” (A1B1).

<sup>577</sup> “Мне кажется, стало. Мне кажется, что вклады сейчас, за последние полгода, стали расти. Раньше были вклады до 200 000. На данный момент <...> минимум 300 000 и даже больше.” (A2B1).

<sup>578</sup> “Я не думаю, что они стали [больше] получать. Может, были в другом банке, может, были подкуплены. Люди стали больше узнавать о вкладах. Раньше бытовало мнение «Нас обманут, банк развалится, нам не компенсируют». А сейчас люди стали более образованными, подкованными.” (A2B1).

<sup>579</sup> “Мне кажется, что у нас вкладов с суммой более 700 000 их вообще единицы. Этот психологический барьер тяжело людям даётся.” (A2B1).

Only one of three senior bank staff from Bank B1 could definitely say that there was, indeed, an increase in the amounts in savings accounts from the establishment of the DIS. B1B2 stated that the amounts have been increasing,<sup>580</sup> however, he argued that the step by step increase in the maximum compensation amount has been simply the additional stimulus for depositors, rather than the deciding factor.<sup>581</sup>

B1M1, though not able to comment on the overall change in the structure of depositors due to her being employed by the bank only for six months,<sup>582</sup> agreed with B1B2 insofar as the stimuli for depositors to open new savings account or increase the amount in the existing savings account are concerned. Whilst she confirmed the increase in the number of savings accounts in the past months, in her opinion, this was primarily due to competitive conditions of savings account in the bank as well as to the fact that depositors are interested in what the bank has to offer.<sup>583</sup> She further added that, when it comes to changes in the maximum compensation amount in October 2008, the bank witnessed an increase in the amounts on depositors of the existing depositors, however, in her opinion, it did not bring new clients to the bank<sup>584</sup>

B1B1 also refused to comment because it was difficult for him to retrace the dynamics since he had only worked in the bank since 2008<sup>585</sup>.

As for Bank C1, C1M1 could not answer this question because he unfortunately did not have any statistics on this matter,<sup>586</sup> whilst C1B1 only commented on the situation after October 2008, when the maximum compensation amount was increased to RUB 700,000, because he had been employed by the bank for only three months at the time of the interview.

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<sup>580</sup> “Да, да, увеличение сумм.” (B1B2).

<sup>581</sup> “<...> это не связано с тем, что вот, раз уж АСВ повысило [сумму страхования], прогарантировало, поэтому мы, вот, придём и положим, нет. Это просто дополнительный стимул для людей.” (B1B2).

<sup>582</sup> “Я не работала, я не могу <...> ответить <...>” (B1M1).

<sup>583</sup> “<...> рост вкладов идёт. <...> Но моё мнение, что всё-таки основная причина роста вкладов и количества вкладов это, прежде всего, наши конкурентные условия, и второй момент это наше интересное предложение с точки зрения клиента <...>” (B1M1).

<sup>584</sup> “А именно увеличение суммы страхования, конечно, оно повлияло на то, что люди стали больше приносить, но именно новых клиентов этот факт, я думаю, не дал.” (B1M1).

<sup>585</sup> “Мне сложно проследить такую динамику, поскольку я в этом банке [только] с 2008 года.” (B1B1).

<sup>586</sup> “К сожалению, такой статистики у меня нет.” (C1M1).

Neither of the two heads of branch from Bank D2 could say whether there was an increase in the structure of deposits since the establishment of the DIS.

D2B1 could not answer this question fully because, according to him, he did not possess the necessary statistics. However, he mentioned that the number of deposits in the bank, and in his branch in particular, has increased between January and March 2009.<sup>587</sup> He added that, during that time, Bank D2 increased the interest rates on their savings accounts.<sup>588</sup> D2B2, on the other hand, whilst not being able to comment on the question itself, reported a recent tendency among depositors to pay more attention to the DIS in general. She further explained that, in the past, depositors rarely asked about it and these days they often say that they know about it or they have heard about it.<sup>589</sup>

#### **6.4.2 Public Opens More Saving Accounts and/or Increases the Value of Existing Savings Account As the Changes in the Parameters of the DIS Are Implemented (Impact Indicator 3.1.2)**

Because the time of economic uncertainty (the global financial crisis in this case) and the changes in the parameters of the DIS (an increase in the coverage limit) happened at the same time, the respondents could not clearly differentiate between the two in their answers (Heads of Branch Interview Question 24; Marketing Staff Interview Question 23). The responses of senior bank staff to these questions have been partially analysed in Section 6.3.2 above, with regard to the changes in the level of confidence in the banking system in time of economic uncertainty.

This section will look at the senior bank staff responses in respect of the situations in which retail depositors increased the amount in their savings accounts or opened new savings accounts following the change in the parameters of the DIS introduced in October 2008.

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<sup>587</sup> “Статистику не могу привести. Количество вкладов с января по март увеличилось по [банку] в целом и по отделению в частности.” (D2B1).

<sup>588</sup> “Ставки [по депозитам] увеличились.” (D2B1).

<sup>589</sup> “Вообще это тенденция последнего времени – по моим ощущениям, стали больше обращать внимание, раньше редко спрашивали, а сейчас «Да знаем», «Да, слышали.” (D2B2).

A1B1 noted that the introduction of a higher maximum compensation amount in October 2008 was a big stimulus for opening new savings accounts by depositors.<sup>590</sup> He even went on to say that it was the main factor contributing to the depositors bringing more money into the bank<sup>591</sup>. He also stated that depositors have mentioned repeatedly that they will deposit RUB 700,000 only because the maximum compensation amount increased in October 2008 and that, in general, the perception of the DIS has significantly changed.<sup>592</sup>

A2B1 could not answer the question, and said that the emphasis on the DIS (the emphasis in the question) is too strong. He added that, in reality, depositors come and bring their money to the bank and that it is enough for them to know the compensation amount, to know that the bank is a member of the DIS and that they are not be left alone. In his opinion, depositors do not want to know anything else.<sup>593</sup>

B1B1 mentioned that the dynamic of the amount of savings accounts right now is on the same level as before the financial crisis, however, because of the crisis, the dynamic is of a higher quality, meaning that depositors started to treat their money with more knowledge and they not so easily bring their money into the bank.<sup>594</sup> With respect to the increase in the compensation amount in October 2008, he added that the maximum compensation amount is now more credible, and that there was a clear increase in deposits especially when the compensation amount increased from RUB 400,000 to RUB

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<sup>590</sup> “А для <...> клиентов, когда ввели 700 000, для них это было большим стимулом для открытия новых вкладов.” (A1B1).

<sup>591</sup> “<...> для людей, я ещё раз подчеркну это, основным факторов того, что они начали нести больше денег в банк, является увеличение до 700 000.” (A1B1).

<sup>592</sup> “Кончено, очень сильно изменилось <...>. Клиенты уже неоднократно говорили о том, что «я буду положить 700 000 только потому, что это страховая сумма».” (A1B1).

<sup>593</sup> “Не знаю. Акцент на систему страхования вкладов сделан очень громкий, очень жесткий. На самом деле клиент идет, несет вклад. <...> Он знает 700 000, он знает, что банк в системе страхования вкладов, он знает, что он не брошен. Всё, ему больше не надо ничего знать <...>.” (A2B1).

<sup>594</sup> “<...> динамика <...> сохранилась на прежнем уровне, что и до кризиса. Но учитывая фактор кризиса, можно говорить о том, что <...> динамика, которая сейчас, она более качественная, чем до кризиса, то есть, люди стали с пониманием относиться к своим деньгам. Они уже не так спокойно относят деньги в банк <...>.” (B1B1).

700,000. He said that depositors started to actively deposit their money when this new compensation amount came into force.<sup>595</sup>

B1B2 related the change in depositors' perception of the DIS since October 2008 to the increase in the amounts in the savings accounts. If before the increase in the coverage limit a depositor had RUB 400,000 in different accounts in different banks which allowed him to sleep without worry, now there are depositors who have RUB 700,000 in their savings accounts and, the opinion of B1B2, this is the main indicator of the change in depositors' perception.<sup>596</sup>

B1M1 said that the depositors' perception of the DIS has not changed much since October 2008, though she believed that the fact of an increase in the maximum compensation amount on its own has been, without a doubt, been highly appreciated<sup>597</sup> and encouraged depositors to bring more money to the bank.<sup>598</sup>

C1M1 did not think that the depositors' perception changed at all, because the DIA was there before and is there now and it is the only one. However, he also said that if looking from the change in parameters side, then it is good indeed that they have increased the maximum compensation amount.<sup>599</sup> He added that, prior to the increase in the compensation amount, there were depositors with approximately RUB 100,000 in their savings accounts (when the first RUB 100,000 were protected 100%) and when told that the maximum compensation amount increased, they increased it to RUB 700,000.<sup>600</sup>

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<sup>595</sup> “Ну, он не такой смешной, как 400 000, то есть, все-таки, заметна тенденция к увеличению вкладов была именно когда с 400 000 до 700 000 подняли. Люди все-таки активнее стали размещать в пределах этой суммы.” (B1B1).

<sup>596</sup> “Да, <...> только лишь в части <...> увеличения остатка по вкладам <...>. То есть, если раньше человек в размере 400 000 размещал и спал спокойно, шел в другой банк, размещал ещё 400 000 и спал спокойно, то сейчас появились вкладчики, в большей степени, порог суммы которых стал 700 000 рублей. Это основной показатель.” (B1B2).

<sup>597</sup> “Я думаю, что на самом деле не особо. <...> сам факт увеличения суммы возврата был, безусловно, положительно оценен <...>.” (B1M1).

<sup>598</sup> “<...> увеличение суммы страхования, конечно, оно повлияло на то, что люди стали больше приносить <...>.” (B1M1).

<sup>599</sup> “Да нет. Ну, было Агентство по страхованию вкладов и осталось, оно единственное. Ну да, хорошо, сумму увеличили, разве что с этой стороны.” (C1M1).

<sup>600</sup> “Были вкладчики, которые имели, предположим, порядка 100 000 рублей до повышения возмещения, то есть когда было до 400 000 рублей непосредственно. То есть был вкладчик, имея 100 000 рублей, он хотел пополнить вклад, поинтересовался, до какой суммы страховое

C1B1 agreed, giving a real example when a depositor had a savings account for the amount of RUB 430,000 and, once the changes in the parameters of the DIS were introduced, step by step, he increased the amount to up to almost RUB 700,000.<sup>601</sup> However, he noted that there are a few depositors who might want to deposit bigger amounts, but have not made up their minds so far.<sup>602</sup>

### 6.4.3 Depositors Save More through Bank Deposits (Impact Indicator 3.1.3)

Senior bank staff was asked whether the level of depositors' saving behaviour has changed (Heads of Branch Interview Question 22, Marketing Staff Interview Question 21). In addition, if the heads of branch and marketing staff confirmed the change in the depositors' confidence in the banking system, they were prompted to state whether the DIS was the only reason for such a change or if, in their opinion, there were other reasons as well (Heads of Branch Interview Question 22a, Marketing Staff Interview Question 21a).

Almost all<sup>603</sup> senior bank staff said that the level of depositors' saving behaviour had increased, including 2 respondents, B1B1 and B1M1, who mentioned that there was a temporary decrease in the level of saving behaviour during the financial crisis. D2B2 found it difficult to answer this question.

When asked to explain her opinion, B1M1 stated that in 2004, people in general became more active in investing their money into different financial instruments, including deposits made because of the newly established DIS<sup>604</sup>.

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возмещение, его проинформировали, и он именно до этой суммы увеличил суммуклада.” (C1M1).

<sup>601</sup> “Могу привести конкретный пример <...>, когда вкладчик размещал у нас депозит в сумме 430 000 рублей, а после внесения изменений и увеличения суммы страхования, последовательно, он увеличил ее почти до 700 000.” (C1B1).

<sup>602</sup> “Есть несколько клиентов, которые хотели бы разместить большие средства, но пока не решаются.” (C1B1).

<sup>603</sup> D2B2 could not provide any answer.

<sup>604</sup> “В 2004 году, я думаю, что в принципе люди стали очень активно инвестировать денежные средства в различные инструменты финансового рынка, в том числе и во вклады, потому что появилась система страхования вкладов.” (B1M1).



A1B1, in his response, could not separate depositors' confidence in the banking system and their saving behaviour. In relation to Bank A1, he described the increase in saving behaviour, and thus, in deposits, as a geometric sequence.

In A2B1's opinion, depositors took their money from their stockings and brought them to the bank.<sup>605</sup> Furthermore, according to B1B1, depositors now gather more information about banks and do not bring their money readily to any bank anymore, but were more selective. D2B1 explained his answer by saying that, before 2004, depositors were afraid and now they know that DIA equals the state, and that it will compensate if something happens.<sup>606</sup> D1B1 said that when the DIS was being introduced in 2004, depositors started to distribute their savings among different banks in amounts not more than the maximum compensation amount, and that nowadays depositors are much calmer and they start to accumulate their savings.<sup>607</sup>

When asked about whether the establishment of the DIS was the sole reason for the increase in the depositors' saving behaviour, the senior bank staff said that, apart from the DIS as such, there were other possible factors which contributed to the increase in the saving behaviour, which included;<sup>608</sup>

- 1) higher quality of customer service, mentioned by A1B1;<sup>609</sup>
- 2) higher level of financial literacy and, as a result, usage of such products and services, like currency exchange or payment with debit and credit cards, mentioned by A1B1<sup>610</sup>;
- 3) more information available to the depositors, mentioned by A2B1;<sup>611</sup>

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<sup>605</sup> “Мне кажется, из чулок достали деньги и стали больше хранить в банках.” (A2B1).

<sup>606</sup> “Наверно, в положительную сторону. Если раньше люди боялись, то теперь знают, что АСВ равняется государству, что оно возместит.” (D2B1).

<sup>607</sup> “Когда только вводили систему страхования вкладов, клиенты стали раскладывать по банкам суммы, не превышающие сумму страхования. Сейчас же население стало спокойно аккумулировать деньги.” (D1B1).

<sup>608</sup> The response of D2B1 to this question was not recorded.

<sup>609</sup> “<...> это повышение качества обслуживания <...>.” (A1B1).

<sup>610</sup> “Люди стали финансово образованы, поэтому они начинают заниматься такими вещами как, например, обмен, <...> карточки. Например, не ходишь с большим лопатником денег, а берешь карточку и расплачиваешься с ней в любом магазине.” (A1B1).

- 4) improvement of the legislative base in relation to the banking activities, mentioned by B1B2;<sup>612</sup> and
- 5) an increase in opportunities for the depositors on the market,<sup>613</sup> including an introduction of new products and services<sup>614</sup> mentioned by B1B2.

## 6.5 Summary

The results of the qualitative data analysis carried out in this chapter show that the knowledge about the DIS among the bank staff is not uniform across the participating banks. Some of the clerks are confused by the operation of the DIS works, including its compulsory nature. Moreover, it appears there is no specific system in place to provide support to front office staff when it comes to questions about DIS outside of their immediate knowledge.

Whilst the heads of branch and marketing officers understandably claim that the DIS has met its stated objectives, the evidence suggests that the most frequently asked question by retail depositors is still *whether the bank is a member of the DIS*. This clearly indicates a lack of basic knowledge about the principles of the Russian DIS among retail depositors.

With regard to the amount and content of the information about the DIS provided by banks to retail depositors, it varies from bank to bank, and even from branch to branch in some banks. Some clerks admitted to not providing any information about the deposit insurance compensation mechanism at all, whilst others stated that they would provide such information only if asked by retail depositors directly.

The link between the results of the qualitative data analysis in this chapter and the results of the quantitative and document and observational data analyses will be discussed in Chapter 8.

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<sup>611</sup> “<...> стали больше рассказывать везде в информационных источниках, народ больше просвещать стали.” (A2B1).

<sup>612</sup> “Вообще улучшение законодательной базы в части банковской деятельности <...>.” (B1B2).

<sup>613</sup> “<...> увеличение возможностей <...>.” (B1B2).

<sup>614</sup> “<...> введение каких-то новых продуктов, введение новых услуг.” (B1B2).

## Chapter 7

# Document and Observational Data Analysis

*“Science progresses best when observations force us to alter our preconceptions.”*

*–Vera Rubin (1928–)*

As indicated in Chapter 1, this study aims to evaluate the Russian DIS by matching its stated objectives with the outcomes observed with the help of several components of the present investigation, including a retail depositor survey, interviews with bank staff, analysis of further documents, and in-branch observations.

Further to the chapters on quantitative data analysis (presented in Chapter 5) and qualitative data analysis (presented in Chapter 6), this chapter focuses on the analysis of relevant documents as well as on observational data gathered during visits to branches of the six participating banks.

### 7.1 Description of Data

The data consists of 17 in-branch observations and the following documents: 11 savings/current account contract templates and numerous marketing materials from the six participating banks, letters of the DIA to the retail depositors whose banks had their banking license revoked (insured events), financial reporting data from the CBR and other information.

The data will be analysed in relation to each stated objective (i.e. Objective 1, then Objective 2, then Objective 3) and will give an insight into the extent the three objectives of the DIS has been achieved.

## **7.2 Findings from In-Branch Observations and from Document Analysis in Relation to Objective 1 “To Protect the Rights and Legal Interests of Household Depositors”**

As shown in Table 4.3 in Chapter 4, there are 12 main impact indicators relating to Objective 1. The impact indicators to be evaluated with the data gathered through observations and document analysis are impact indicators 1.1.1, 1.1.2, 1.3.2, 1.3.3, and 1.3.6. The remaining indicators are examined in Chapters 5 and 6 and Sections 7.3 and 7.4 of this chapter.

### **7.2.1 Depositors Get Compensation within the Time Stated in the Federal Law (Impact Indicator 1.1.1)**

#### **7.2.1.1 *Compensation Period***

Apart from three insured events where retail depositors did not receive any compensation at all because the obligations in relation to retail depositors of the respective banks were taken over by other banks, the compensation in all but four insured events commenced within the time stated in Article 12(4) of the Federal Law.

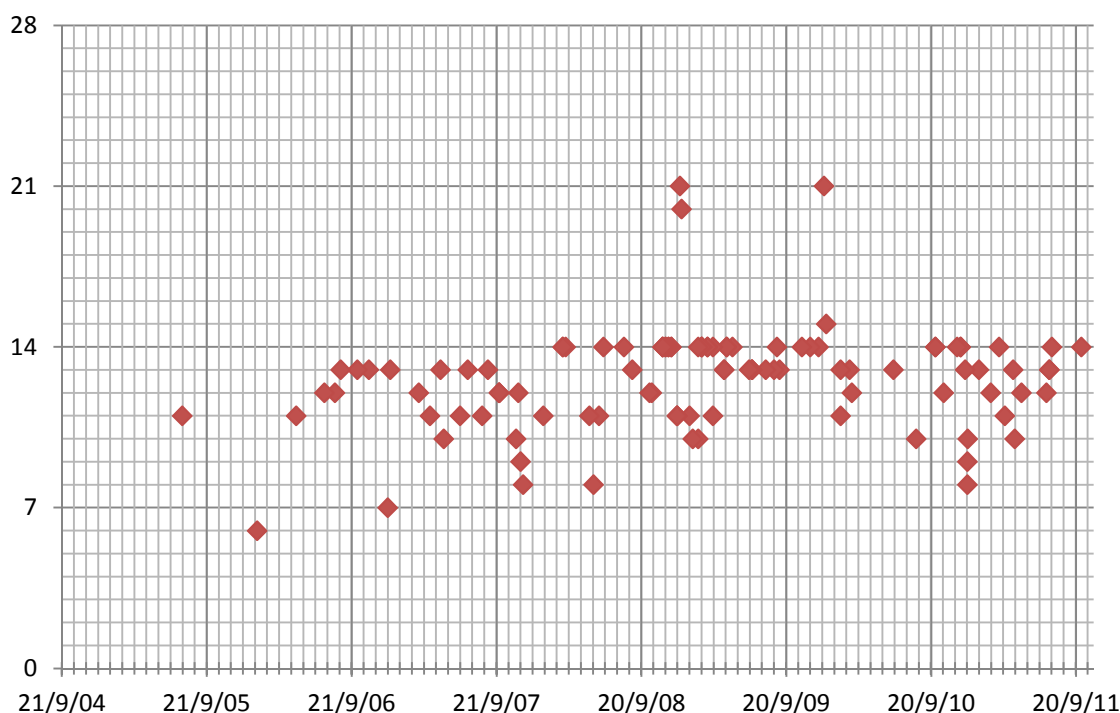
As can be seen from Figure 7.21, in the majority of the insured events, the compensation commenced between 7 and 14 days (inclusive), with the shortest compensation commencement period being 6 days (for the insured event on 26 January 2006). On average, it took the DIA 12 days to commence the payout across the 110 insured events since the start of the DIS.

The four insured events for which the compensation did not commence within 14 days were on 26 December 2008 (compensation commenced within 21 days), 30 December 2008 (compensation commenced within 20 days), 24 December 2009 (compensation commenced within 21 days) and 29 December 2009 (compensation commenced within 15 days). It is interesting to note that these four insured events took place late in the respective year, so considering there are always long winter public holidays in Russia (sometimes lasting more than a week and a half), this may explain the delay in starting the payout. For example, in 2008-2009, the winter public holidays lasted 10 days between 1 January 2009 and 10 January 2009 (Gritsyuk, 2008) and in 2009-2010 the

winter holidays also lasted 10 days between 1 January 2010 and 10 January 2010 (Gritsyuk, 2009).

**Figure 7.21**

Number of days taken by the DIA to start the deposit insurance compensation process from the date of the insured event



Source: Press-releases in relation to each of the insured events issued by the DIA.<sup>615</sup>

### 7.2.1.2 Compensation Process

In order to observe the procedural side of the deposit insurance compensation, it was possible to take part in the compensation process on behalf one of the retail depositors who had a savings account with the Saint-Petersburg Bank for Reconstruction and Development, whose license for banking operations was revoked on 03 May 2007 (an insured event).

The DIA issued an official letter to this retail depositor on 25 May 2007, which was posted on 04 June 2007 (and received on 14 June 2007). This was in accordance with Section 12(1) of the Federal Law, which stipulates that the DIA should send the

<sup>615</sup> The list of all insured events can be accessed at <http://www.asv.org.ru/guide/event/>.

information about the insured event and about how to receive compensation to each retail depositor within one month and seven days from the date of the insured event.

As provided by Section 10(5) of the Federal Law, the retail depositors may give a notary certified power of attorney to their representatives to receive the compensation on their behalf, which was done in this case.

For this insured event, the DIA appointed a bank-agent to pay out the compensation to retail depositors.

It is interesting to note that the letter from the DIA contained a form of the deposit insurance compensation claim (printed with the name and details of the bank specifically for this particular insured event) on two double-sided A4 pages. In this case, the claim form was downloaded from the DIA website, was filled in electronically and then printed. However, in the bank-agent's branch, the clerk discarded the self-completed claim form and filled in another one on the computer and then printed it off for signing. The clerk also took a copy of the power of attorney for any future reference. Apart from the amount from the savings account received in cash, the clerk also issued a copy of the cash order, confirming the payment, and the extract from the register of bank's obligations, with full details of the retail depositor and the savings account in question.

The compensation in this case was for a very small amount (RUB 1.03), and the clerk of the bank-agent was very surprised by a claim for compensation for such an amount.

The other insured event, for which the documents became available, was in relation to Gazinvestbank, whose license for banking operations was revoked on 04 December 2008.

The DIA issued an official letter to this retail depositor on 22 December 2008, which was posted on 26 December 2008, and received on 29 December 2008. This was also in accordance with Section 12(1) of the Federal Law.

For this insured event, the DIA also appointed a bank-agent to pay out the compensation to retail depositors. Since 2007, the deposit insurance compensation claim form became more streamlined and, whereas in 2007 it was over two double-sided A4 pages, in 2008 it was reduced to one double-sided A4 page.

The compensation in this case was for an amount exceeding the maximum compensation amount, so the letter from the DIA contained the information on the actions a retail depositor is supposed to take to claim the outstanding amount. From our understanding, the retail depositor opted for opening a new savings account with the bank-agent, so no compensation payout took place.

### **7.2.2 Depositors Are Aware of the Procedures to Follow in Order To Claim Deposits in Excess of the Coverage Provided By the DIS (Impact Indicator 1.1.2)**

The letter which the DIA sends to each retail depositor in the case of an insured event in relation to the bank they patronise, states that they would need to claim the outstanding amount as part of the liquidation process, should the deposit insurance compensation not cover the amount of their savings/current account in full.

In case of an insured event in relation to Gazinvestbank (mentioned in Section 7.2.1 above), it was suggested that the retail depositor submit a claim to Gazinvestbank for the difference between the amount of the savings account and the maximum compensation of RUB 700,000. Such a claim could be submitted either to the temporary administration, or to the liquidators of Gazinvestbank. The letter from the DIA further provided details of the webpage where a retail depositor could find a template for such a claim, and a list of supporting documents. The DIA also referred the retail depositor to their ‘hotline’ where further information on this process can be found.

In the case of Gazinvestbank, the retail depositor submitted a claim for the remainder of the deposit to the temporary administration of the bank on 22 January 2009. Even though retail depositors enjoy a priority over any other creditors (secured creditors) in insolvency proceedings in Russia, as of now there have been no notifications of any repayment to the retail depositor, neither from the temporary administration of Gazinvestbank, nor from the DIA.

### **7.2.3 Banks Use the Parameters of the DIS to Launch New Savings Accounts (Impact Indicator 1.3.2)**

There are two distinct examples that could be presented from the six participating banks.

The prime example of banks using the DI parameters to launch new savings account is Bank A1. When entering the banking market in Saint-Petersburg, one of Bank A1's savings accounts specifically featured the DI parameters relevant at the time. It was possible to obtain a copy of the promotional flyer, distributed in Saint-Petersburg in August 2007.

The savings account was called '100% Security' and had the following conditions:

- term – two, three or six months;
- amount – from RUB 5,000 up to RUB 400,000, the maximum compensation amount at the time;
- interest rate – 10% per annum;
- interest payment – monthly or on maturity; and
- currency – RUB, USD or EUR.

Whilst it appears from the flyer that this particular savings account was initiated in February 2007, the branch of Bank A1 in Saint-Petersburg was registered with the Central Bank of Russia in July 2007. This demonstrated that Bank A1 did, indeed, use this savings account, among other banking products and services, as a promotional tool when entering the banking market in the region.

The flyer is double-sided 1/3 of an A4 page. It prominently features the DIS sign on the first side; no other information about the DIS is provided.

This savings account is still available at Bank A1, though with different conditions, and is promoted as a 'special savings account for new clients'.

The second example, Bank A2, is not so much showcasing the usage of DI parameters to launch new savings accounts, but rather the usage of the unforeseen (or foreseen) opportunity to the bank's advantage.

Bank A2 was appointed as the bank-agent for post-2003 only insured event in Saint-Petersburg at the time.<sup>616</sup> As this was the fourth insured event for which Bank A2 was

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<sup>616</sup> Bank A2 was among the first banks who received accreditation by the DIA in June 2005 in order to take part in tenders to be appointed as bank-agent in the DI compensation process.



the bank-agent, they prepared for the deposit insurance compensation process by creating a special savings account for the retail depositors of the failed bank. The scheme worked as follows: when the retail depositors came to receive the compensation payment, it was the role of the clerks to entice the retail depositors with a special offer. If the retail depositors agreed to open a new savings account with Bank A2, no withdrawal of deposit insurance compensation amount took place.

The savings account was called ‘Compensatory’ and had the following conditions:

- term – from 1 to up to 181 days;
- amount – from RUB 5,000 up to RUB 400,000, the maximum compensation amount at the time;
- interest rate – 9.5% per annum; and
- currency – RUB.

Additionally, all retail depositors who agreed to open this savings account were able to receive a VISA card issued by Bank A2, without the initial yearly service fee.

Unfortunately, it was not possible to obtain the flyer promoting this savings account. It is possible to assume that no such flyer has been officially distributed, as the savings account was not open to the general public.

Other examples of Russian banks using the DI parameters when launching new savings accounts are presented in Table 7.1 below.

From the overview of savings accounts offered by different banks in Russia, it is clear that the deposit insurance compensation amount, currently RUB 700,000, has become not only the tool used to launch new savings accounts, but also a point of gradation in determining the interest rate for many banks. For example, the savings account with an amount less than RUB 700,000 will have a lower interest rate than the same type of savings account with a higher amount.

**Table 7.1**

Details of different savings accounts launched by banks in Russia using the parameters of the DIS

| Bank             | Absolut Bank   | National Bank TRUST  | Asian-Pacific Bank                           | Banque de Moscou et de Paris   | National Corporate Bank  |
|------------------|--|--|--|--|--|
| Savings Account  | “Guaranteed” <sup>617</sup>  | “TRUST Guaranteed 2009” <sup>618</sup>   | “Guaranteed” <sup>619</sup>                  | “Secured+” <sup>620</sup>  | “Social” <sup>621</sup>  |
| Amount           | RUB 700,000 (the newly increased maximum compensation amount at the time)      | From RUB 3,000 up to RUB 700,000 ( <u>initial</u> amount)  | RUB 100,000 up to RUB 700,000                | Up to RUB 700,000  | From RUB 1,500 up to RUB 700,000   |
| Term             | 1 month (with unlimited prolongation)  | 32 to 732 days   | 91, 181 or 365 days                          | 62, 92 or 182 days (with possible prolongation)  | 91, 182, 275 or 370 days   |
| Interest Rate    | An ‘attractive anti-crisis interest rate’, as described by the bank themselves | 14.5-15.5% per annum depending on the term for accounts in RUB, 11.5-12.5% and 10.5-11.5% for accounts in USD and EUR respectively | 4%, 5% or 7% per annum depending on the term | 4.2-8.5% per annum depending on the term for accounts in RUB, 2.1-3.5% and 1-2.5% for accounts in USD and EUR respectively | 8-12% per annum depending on the term for accounts in RUB, 3.5-6% and 2.5-5% for accounts in USD and EUR respectively; |
| Interest Payment | Monthly  | Monthly  | Monthly                                      | On maturity  | Monthly  |
| Currency         | RUB  | RUB, USD, EUR  | RUB  | RUB, USD, EUR  | RUB, USD, EUR  |

Source: Information on banks’ websites.

<sup>617</sup> This savings account was offered by Absolut Bank on 1 November 2008 as an anti-crisis measure. Unfortunately, it was not possible to obtain a flyer and, therefore, the exact interest rate offered at the time is not known. The information has been taken from the bank’s website (accessed on 12 February 2011). This account is no longer being advertised to the public.

<sup>618</sup> This savings account was offered by National Bank TRUST in May 2009 with the initially deposited amount – RUB 700,000 – fully covered by the DIS. This savings account had an option of topping up. The information has been taken from the bank’s website (accessed on 12 February 2011). This account is no longer being advertised to the public.

<sup>619</sup> This savings account was advertised for new clients of Asian-Pacific Bank who were concerned about the safety of their money. This savings account was valid at the time of accessing the bank’s website (12 February 2011). It had an option of topping up the amount up to the total amount of RUB 700,000.

<sup>620</sup> This savings account is valid from 5 October 2010, has an option of topping up the amount up to the total amount of RUB 700,000.

<sup>621</sup> This savings account is designed for pensioners and students. This savings account was valid at the time of accessing the bank’s website (12 February 2011). It had an option of topping up the amount up to total amount of RUB 700,000.

#### **7.2.4 Banks Have A Dedicated Area Where They Display Information about the DIS in Their Branches (Impact Indicator 1.3.3)**

As described in Chapter 4, a number of branches from each of the six participating banks have been chosen for observation of the dedicated area concerning the DIS, where it existed.

##### ***7.2.4.1 Dedicated Areas in Bank A1's Branches***

There were four branches of Bank A1 which were selected for observation, three in the city centre,<sup>622</sup> and one in the suburbs<sup>623</sup>. All four branches had very awkward layouts, so the information about the DIS and the current and savings accounts was not easily available. As such, none of the four branches had an information stand dedicated to the DIS. The certificate of membership in the DIS was placed on the information stand with other notices and certificates not related to the DIS, except the branch in the suburbs, where no certificate of membership in the DIS was displayed at all. There was no text of the Federal Law, no contact nor any other DIA-related information displayed in any of the branches observed.

None of the four branches featured the stickers of the DIS sign in the shape and size provided by the DIA. Further, considering Bank A1's branches did not possess the DIS brochures issued by the DIA either, it is possible to assume that they simply did not receive the stickers, at least in Saint-Petersburg. Instead, they have created their own sticker featuring the DIS sign, and these stickers were placed on the glass of each cashier's window. Bank A1's sticker featured the DIS sign with the following words, "Find out everything about the DIS" and "Amounts up to RUB 700,000 are 100% insured", above and below the DIS sign respectively. A poster of a similar content and layout were placed on walls in the branches observed.

No sticker with the DIS sign was attached to the entrance door in any of the four branches observed.

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<sup>622</sup> Observations took place on 19 March 2009, on 27 March 2009 and on 2 April 2009.

<sup>623</sup> Observations took place on 26 March 2009.

#### **7.2.4.2    *Dedicated Areas in Bank A2's Branches***

In the case of Bank A2, there were four branches selected for observation, two in the city centre<sup>624</sup> and two in the suburbs.<sup>625</sup>

The branches in the city centre had information stands dedicated to the DIS which displayed the Federal Law, the certificate of membership in the DIS, the contact and other information relating to the DIA. Whilst, in the first branch in the city centre, it was not possible to find the cashier's window, the sticker of the DIS sign was attached to the cashier's window in the second branch. Such stickers were also placed on the glass windows of the clerks' windows.

The area with information about current and savings accounts in the second branch in the city centre was very untidy and missing some flyers, which had not been restocked. In addition, there were no DIS brochures issued by the DIA available to retail depositors on the day of the observation. At the same time, the information about the purchase of the 98% of the shares of Bank A2 by a governmental corporation was placed on the information stand, assuring depositors that there was no need to worry about unavailability of funds.

#### **7.2.4.3    *Dedicated Areas in Bank B1's Branches***

The two selected branches of Bank B1 (one in the city centre<sup>626</sup> and one in the suburbs<sup>627</sup>) had a similar presentation of the information about the DIS.

Whilst the branch in the city centre had a corridor leading to the operations hall (where all clerks are based), the information about the DIS was placed on information stands in both the corridor (in the form of the certificate of membership in the DIS and a list of all available current and savings accounts featuring the DIS sign) and in the operations hall (in the form of the certificate of membership in the DIS).

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<sup>624</sup> Observations took place on 19 March 2009 and on 24 March 2009.

<sup>625</sup> Observations took place on 25 March 2009 and on 2 April 2009.

<sup>626</sup> Observation took place on 24 March 2009.

<sup>627</sup> Observation took place on 26 March 2009.

The text of the Federal Law, the contact and other information relating to the DIA were stored in a folder, which was clearly marked as referring to the DIS, and was placed on a low table for retail depositors to consult whilst sitting on a sofa.

Bank B1 provided the text of Recommendations issued by the DIA among other documents related to the DIS.

The branch in the suburbs did not have a corridor and the retail depositors entered the branch straight into the operations hall. The content and presentation of information about the DIS in the dedicated area was similar to the branch in the city centre. The branch in the suburbs had only one DIS brochure issued by the DIA, and it was an out-dated edition (the edition from August 2007).

#### **7.2.4.4 *Dedicated Areas in Bank C1's Branches***

Since there are only two branches of Bank C1 in Saint-Petersburg, observations took place in both branches (one in the city centre<sup>628</sup> and one in the suburbs<sup>629</sup>).

The branch in the suburbs was located in the Head Office of Bank C1 in Saint-Petersburg, and therefore the access to the operations hall was not straightforward, and the information on the DIS was not easily available to the potential retail depositors, who might want to consult such information before making a decision as to whether to open a current or savings account with this bank. There was a special folder with the relevant information on the DIS, the most recent audited financial reports, as well as the information stand, which featured the certificate of membership in the DIS among other certificates, and notices for retail and/or business depositors.

Compared to the branch in the suburbs, the branch in the city centre had a much better layout, and the information about the DIS was easily available to potential depositors. This branch had an information stand which featured the certificate of membership in the DIS among other notices, as well as the same special folder with relevant information about the DIS as the branch in the suburbs.

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<sup>628</sup> Observation took place on 27 March 2009.

<sup>629</sup> Observation took place on 30 March 2009.

#### **7.2.4.5    *Dedicated Areas in Bank D1's Branches***

Since there were only two branches of Bank D1 in Saint-Petersburg at the time, observations took place in both branches (one in the city centre<sup>630</sup> and one in the suburbs<sup>631</sup>).

The branches did not have any area dedicated to the DIS as such. The branch in the suburbs had a separate folder with all relevant information available to retail depositors, which was placed onto the counter where retail depositors are supposed to fill in the application form for the package of banking services. The folder contained the DIS sign, the Federal Law, the certificate of membership in the DIS, the contact and other information relating to the DIA.

The branch in the city centre also had a separate folder with information about the DIS, and included the same documents as the folder in the branch in the suburbs, apart from the Federal Law. There was also a separate notice informing the retail depositors that information on the DIS was available on Bank D1's website.

Both branches had the latest DIS brochures issued by the DIA available on clerk's desks, and also had flyers with information on current and savings accounts.

#### **7.2.4.6    *Dedicated Areas in Bank D2's Branches***

All three selected branches of Bank D2 (two in the city centre<sup>632</sup> and one in the suburbs<sup>633</sup>) had a very well-presented reference rack with the information about the DIS. However, the reference rack was not easily accessible to retail depositors, as it was mounted on the wall next to the cashier's window, which was in a different room from the operations hall where clerks consulted the retail depositors about the issues related to the opening of savings and current accounts.

Bank D2 provided the text of Recommendations issued by the DIA among other documents related to the DIS.

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<sup>630</sup> Observation took place on 24 March 2009.

<sup>631</sup> Observation took place on 25 March 2009.

<sup>632</sup> Observations took place on 26 March 2009 and on 27 March 2009.

<sup>633</sup> Observation took place on 26 March 2009.

None of the three branches had the DIS brochure issued by the DIA.

## 7.2.5 Banks Inform Depositors about the DIS (Impact Indicator 1.3.6)

Compliance with the Recommendations issued by the DIA was verified through the interviews with banks' employees, and observations in selected branches.

Table 7.2 presents the summary of the observations, followed by comments for each bank.

**Table 7.2**

Summary of compliance with the Recommendations by six participating banks

| Bank   | Bank A1           | Bank A2      | Bank B1            | Bank C1      | Bank D1               | Bank D2           |
|--|-------------------|--------------|--------------------|--------------|-----------------------|-------------------|
| <b>Display of documents</b>  |                   |              |                    |              |                       |                   |
| Full copy of the Federal Law   | No                | Yes          | Yes <sup>634</sup> | Yes          | Yes/No <sup>635</sup> | Yes               |
| Colour copy of the Certificate   | Yes               | Yes          | Yes                | Yes          | Yes                   | Yes               |
| Announcement (booklet, pamphlet) about the procedure for and the amount of deposit insurance coverage            |                   |              |                    |              |                       | Yes               |
| Notification to the depositors about necessity to timely inform the bank about changes in their personal details | Not recorded      | Not recorded | Not recorded       | Not recorded | Not recorded          | Not recorded      |
| Depiction of registered sign "Deposits insured. Deposit Insurance System"  | Yes               | Yes          | Yes                | Yes          | Yes                   | Yes               |
| Requisites of the DIA  | No                | Yes          | Yes <sup>636</sup> | Yes          | Yes                   | Yes               |
| <b>Display of the DIS sign</b>   |                   |              |                    |              |                       |                   |
| Unaltered sign   | No <sup>637</sup> | Yes          | Yes                | Yes          | Yes                   | Yes               |
| Glass  | Yes               | Yes          | Yes                | Yes          | Not known             | Yes               |
| Information stands   | No                | Yes          | Yes                | Yes          | Yes                   | No <sup>638</sup> |

<sup>634</sup> In a special folder.

<sup>635</sup> Displayed only in one branch out of two.

<sup>636</sup> In a special folder.

<sup>637</sup> The DIS sign was altered as described in Section 7.2.4 above.

| Bank   | Bank A1           | Bank A2            | Bank B1           | Bank C1               | Bank D1                  | Bank D2   |
|--|-------------------|--------------------|-------------------|-----------------------|--------------------------|-----------|
| Entrance   | No                | Not recorded       | Not recorded      | Not recorded          | Not recorded             | Yes       |
| ATM  | Not known         | Not known          | Not known         | Not known             | Not known                | Yes       |
| Annual reports   | No                | No                 | No                | Yes/No <sup>639</sup> | No                       | No        |
| Cards  | Not known         | Not known          | Not known         | Not known             | Not known                | Not known |
| Letterheads  | Yes               | Not known          | Yes               | Not known             | No                       | Not known |
| Advertising  | Yes               | Yes                | Yes               | Yes                   | No                       | No        |
| Website – Front  | No                | Yes                | No <sup>640</sup> | Yes                   | No                       | No        |
| Website –Retail depositors page/Deposit page (summary) | No                | Yes                | No                | Yes                   | Not known <sup>641</sup> | No        |
| Website –Deposit page (details)                        | No <sup>642</sup> | Yes <sup>643</sup> | Yes               | Yes <sup>644</sup>    | Not known                | Yes       |

Source: In-branch observations and review of banks' websites.

### 7.2.5.1 Provision of Information about the DIS on Flyers and Other Marketing Materials

Paragraph 11 of the Recommendations issued by the DIA allows banks to use the DIS sign and the fact of their membership in the DIS on marketing materials. Different marketing materials were collected at all six banks participating in this research, as well as from other banks in Russia. The analysis of the presentation of the information on the DIS is presented below.

<sup>638</sup> Neither of Bank D2's branches had an information stand, they only had a reference rack, see Section 7.2.4 above.

<sup>639</sup> Only in the Annual Report for 2007.

<sup>640</sup> There is a partial DIS sign (featuring the logo and the words "Deposit Insurance Scheme") placed on the unmovable footer of the website. When the cursor is placed on this partial DIS sign, more information on the DIS appears along the full DIS sign.

<sup>641</sup> The page was not accessible at the time of checking.

<sup>642</sup> On the webpage of each individual savings account, there is a link to the website with information on the DIS, which features the DIS sign and provides relevant information.

<sup>643</sup> Bank A2 placed the DIS sign at the bottom right corner of every page of its website.

<sup>644</sup> Bank C1 placed the DIS sign at the left-hand side of every page of its website.



## **Bank A1**

Eight different flyers were collected at Bank A1 for further analysis. Six flyers contained information about existing savings accounts, whilst the other two flyers provided additional information.

Of those flyers with information on existing savings account, one had an overview of all existing savings accounts at the time and was A4 size, folded in three. It contained detailed information on the DIS (including an explanation of how the compensation amount is calculated if the retail depositors have loans or accounts in more than one branch) with the following title “Deposits up to RUB 700,000 are 100% insured”. Moreover, the flyer contained the DIS sign, positioned next to the text.

The other five flyers with information on existing savings accounts were 1/3 of A4 size each, and featured the DIS sign only, either on the front or the back.

The first flyer with additional information was 1/3 of A4 size, and was fully dedicated to the DIS. The front of the flyer featured the logo of Bank A1, the DIS sign as well as the following wording: “Find out everything about the Deposit Insurance Scheme!” and “Deposits up to RUB 700,000 are 100% insured”. The back of the flyer contained the same detailed information about the DIS as the flyers with the overview of the existing savings accounts (described above), with an additional reference to the Federal Law. At the bottom of the back of the flyer there was a free phone number for Bank A1 where the retail depositors were directed to find more detailed information.

The last flyer collected at Bank A1 was A4 size, was entitled “How your money works. Information for depositors”, and contained information explaining clearly how the money of retail depositors works (including graphs with information on the loan portfolio of Bank A1, the growth of the number of branches and the information on profits of the bank). The flyer also featured information on savings accounts as a good and flexible way to receive guaranteed income. This flyer also featured the DIS sign and stated that, as a 100% guarantee of the return of retail depositors’ savings, the DIA provides

governmental support and that all retail deposits up to the amount of RUB 700,000 are subject to the most secure protection<sup>645</sup>.

## **Bank A2**

10 different flyers were collected at Bank A2 for further analysis. Of these flyers, six were promoting different savings accounts, and four informed retail depositors about different services. The six flyers promoting the savings accounts featured the DIS sign only, and did not provide any further information. The DIS sign was placed inside the flyer (A1 page folded into three parts).

The other four flyers differed in the way the information about the DIS was presented. The booklet providing information about the bank cards and the addresses and access hours of the ATMs features the DIS sign on the front cover.

The two flyers with information on mini-offices<sup>646</sup> provided information on the DIS in a different way. Whilst one of the flyers features the DIS sign only (on the reverse side of the 1/3 of A1 size flyer), the other flyer features a paragraph providing extensive information about Bank A2's membership in the DIS on the front and the DIS sign on the back. The information on the front of these flyers explained that Bank A2 is a member of the DIS, which means that deposits in this bank are insured by the state. Moreover, it provided the number of the certificate of membership in the DIS, and the date Bank A2 was admitted to the scheme.

The flyer with information on internet banking did not provide any information on the DIS.

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<sup>645</sup> “В качестве 100% гарантии возврата Ваших сбережений, Агентство по страхованию вкладов обеспечивает государственную поддержку. Все вклады в сумме до 700 000 рублей находятся под самой надежной защитой.”

<sup>646</sup> See explanation about mini-offices of Bank A2 in Chapter 4.

## **Bank B1**

Four flyers were collected at Bank B1 for further analysis.<sup>647</sup> Three flyers contained information on the existing savings accounts, including one flyer with an overview of all existing savings account, whilst the last flyer contained general information about the bank and its savings accounts.

The front of all three flyers with information on the existing savings accounts features the DIS sign only. The flyer with general information about Bank B1 and its savings accounts (in general terms) featured both the DIS sign (on the back) and a sentence stating that Bank B1 is a member of the compulsory DIS and that this is an additional guarantee of return of the retail depositors' savings.<sup>648</sup>

## **Bank C1**

Seven flyers were collected at Bank C1. Four contained an overview of the existing savings account in RUB and the foreign currency, whilst three other flyers contained information on individual savings accounts.

The flyers with the overview of the existing savings accounts had a slight difference in the way the information about the DIS was presented. The two older flyers contained the DIS sign only on the inside, whilst the more recent flyers with the same information contained a visibly bigger DIS sign inside the flyer as well as the DIS sign on the front.

The three flyers with information on individual savings accounts featured the DIS sign only on the front.

## **Bank D1**

Bank D1 yielded four different flyers, two with information about existing savings accounts, and two with information on other banking services.

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<sup>647</sup> There was another flyer on the business package, which is assumed was for business depositors. This flyer did not contain the DIS sign, nor did it provide any other information on the DIS.

<sup>648</sup> “[Bank B1] является участником обязательной системы страхования вкладов, что является дополнительной гарантией возвратности вкладов наших клиентов.”

The two flyers with information on existing savings accounts, the flyer with details of internet banking and the flyer with details of individual safe deposit boxes do not feature any information on the DIS. None of the flyers featured the DIS sign.

Each flyer featured the information about Bank D1's association with one of the biggest financial groups, the parent group's financial standing and the year Bank D1 entered the Russian market.

## **Bank D2**

Five flyers were collected at Bank D2. Three contained information on the different packages of banking services and the relevant tariffs, one contained information on one specific branch and the last flyer contained information on the DIS.

The flyers with information on packages of banking services and with information about one specific branch did not feature any information on the DIS at all. The flyer with information on the DIS entitled 'Procedure for and the amount of compensation of savings accounts in accordance with the Federal Law "On the Insurance of Household Deposits in Banks of the Russian Federation"'<sup>649</sup> provided a detailed outline of the amount of the DI coverage as well as the compensation procedure in accordance with the Federal Law, and featured the DIS sign. The back of the flyer featured details of the DIA and its free phone hotline, as well as the logo of Bank D2. The flyer did not explicitly state that Bank D2 is a member of the DIS.<sup>650</sup>

## **Other Banks in Russia**

From the overview of marketing materials of different banks in Russia promoting savings accounts, it is clear that there is no one way in which banks present information about their membership in the DIS. Whilst all banks provide information about the licence for banking operations, not all of them fully inform potential and existing retail depositors about their membership in the DIS.

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<sup>649</sup> "Порядок и размер возмещения по вкладам в соответствии с федеральным законом «О страховании вкладов физических лиц в банках Российской Федерации»".

<sup>650</sup> The newer version of the flyer has a different layout but contains the same information with no explicit statement that Bank D2 is a member of the DIS.

The presentation of information about the DIS ranges from no information at all to extensive information with the registration number in the DIS, the date the bank was admitted to the DIS, the DIS sign and other details.

For example, Sberbank of Russia has no reference to the DIS on its marketing materials promoting the savings accounts at all. Some banks place the DIS sign only, in the hope that no other information (such as, for example, the registration number in and the date the bank was admitted to the DIS) on the matter will be required by the retail depositors. Other banks place the DIS sign and the wording from the Recommendations issued by the DIA, such as for example, ‘Savings accounts at [name of the bank<sup>651</sup>] are insured within the limits and on the terms and conditions set by the Federal Law “On the Insurance of Household Deposits in Banks of the Russian Federation”’. UniCredit Bank also displays the DIS sign and uses a similar wording in its marketing materials, but adds that accrued interest is also insured.

Another group of banks provide considerable amount of information about the DIS. For example, Credit Moscow Bank<sup>652</sup> not only places the DIS sign on the flyer, but also the information about the date on which the bank was admitted to the DIS, the registration number in the DIS, which savings/current accounts are insured, which financial means deposited or placed at the bank are not insured, from which point in time the savings account is considered to be insured, and the link to the frequently asked questions placed on the DIA’s website. This information takes up one side of the 1/3 of an A4 page.

There were also banks which differed in the presentation of information about the DIS across marketing materials promoting different savings accounts in each bank. For example, the two different flyers from MDM Bank<sup>653</sup> (the first, with an overview of different savings accounts and the second, with information on one specific savings account) contained information on the DIS, but it was presented in a different way. Both flyers featured the DIS sign, though the first flyer had it on the front side, whilst the second flyer had it on the reverse. In terms of the written information about the DIS,

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<sup>651</sup> For example, such banks as: Bank VTB 24 and MDM Bank (not on all of the marketing materials).

<sup>652</sup> Equivalent of Bank C1.

<sup>653</sup> Equivalent of Bank A1 and Bank A2.

whereas the first flyer contained the standard wording with reference to the Federal Law, as described in the paragraph above, the second flyer did not contain any written information at all.

Alfa-Bank<sup>654</sup> did not place the DIS sign on any of its flyers (out of the three flyers analysed). Whereas the two flyers with information on specific savings accounts did not contain any information about the DI at all, the third flyer with detailed information about the range of available savings accounts had a section consisting of the standard wording with reference to the Federal Law, as in the case of Bank VTB 24, and of the reference to the registration number in and the date the bank was admitted to the DIS.

Likewise, OTP Bank<sup>655</sup> did not place the DIS sign on either of the two flyers which were analysed. The first flyer contained information about a specific savings account, and did not have any reference to the DIS at all. The second flyer, with the overview of all available savings accounts at the time, contained only one sentence ‘OJSC “OTP Bank” is a member of the Deposit Insurance System’, which was placed in the list of facts about the bank, such as, for example, the bank’s owned capital, the fact that the bank is a member of the OTP Group and so on.

National Bank TRUST provided information which was somewhat confusing in that it presented their membership in the DIS as one of five *advantages* of their savings account over other banks’ offers (together with high profitability, multi-currency, option of withdrawal and top-up, and increased interest rates for loyal customers).

#### **7.2.5.2 Text of Current/Savings Account Contracts**

One of the recommended ways to inform retail depositors about the DIS, according to paragraphs 5(5), 5(6) and 5(7) of the Recommendations of the DIA from 30 June 2005 as amended, is to include such information in the text of the current/savings account contract.

In view of the fact that there is no legislative obligation upon the banks to include such provisions into the contract, it is interesting to examine whether any of the six

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<sup>654</sup> Equivalent of Bank A1 and Bank A2.

<sup>655</sup> Equivalent of Bank D1.

participating banks include the information about the DIS and other related information in the text of their contracts with retail depositors, and, if so, in what form.

### **Bank A1**<sup>656</sup>

The savings account contract of Bank A1 is printed on both sides of one A4 sheet, and features the DIS sign on both sides. The contract contains 10 sections where the last section lists the details of the retail depositor and the bank and the signatures.

Section 8, ‘Security for the Deposit’, has two paragraphs. Paragraph 8(a) states that the bank secures the return of the amount of the deposit and interest with all of its property and by allocating/deducting obligatory reserves in accordance with the legislation. Paragraph 8(b) states that the financial means, placed by the retail depositor in this bank under the contract of savings account or current account, are insured in the form, extent and on conditions set by the legislation of the Russian Federation in force. It further lists the financial means that are not insured.

At the bottom of the second side of the contract, there is a bigger depiction of the DIS sign and a bullet-point list of the main provisions of the Federal Law, including the compensation amount, the fact that the interest on the savings accounts is also insured, that, if each member of the family has separate savings account, then each member of the family would receive separate compensation for each account. It also reminds the depositors that, if they have a loan from this bank, the amount of compensation is calculated based on the difference between the sum of all accounts and the amount of the liability which arose before the insured event.

Moreover, the contract does not stipulate the obligation on the side of the retail depositors to inform their bank about any changes to the retail depositors’ personal details included in the contract.

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<sup>656</sup> The information is based on one template contract, provided by Bank A1 in March 2009.

### **Bank A2**<sup>657</sup>

The contract is printed on several pages, depending on the type of the contract, and does not feature the DIS sign. The contract contains 7 sections where the last section lists the details of the retail depositor and the bank and the signatures. Additionally, the bottom of each page is supposed to be signed by both the retail depositor and the bank's clerk.

Section 5, 'Bank Guarantees', has two paragraphs. Paragraph 5.1 states that the bank guarantees the secrecy of the savings account and all related transactions, and declares the personal details of the retail depositor as confidential information. Paragraphs 5.2 states that the account is insured in the form, extent and on conditions set by the Federal Law.

Moreover, paragraph 2.1.2 stipulates the obligation on the side of the retail depositors to inform their bank in a timely fashion about any changes to the retail depositors' personal details included in the contract.

### **Bank B1**<sup>658</sup>

The contract is printed on two pages and features the DIS sign at the top left corner of the front page. The contract contains 6 sections, and the last section lists the details of the retail depositor and the bank and the signatures. The bottom of the second page features the statement that the retail depositors do not object to the SMS-notification about new banking services, and should be signed by the retail depositors, if they are in agreement.

Paragraph 5.1 in Section 5, 'Other Terms and Conditions' states that the savings account is insured in the form, extent and on conditions set by the Federal Law.

Moreover, paragraph 3.2.4 of the contract stipulates the obligation on the retail depositor's side to inform their bank about any changes to the retail depositors' personal details included in the contract in writing, within five days from the moment such changes occur, as well as at the bank's request. It also states that retail depositors are responsible for any consequences of not-compliance with this obligation.

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<sup>657</sup> The information is based on three template contracts, provided by Bank A2 in March 2009.

<sup>658</sup> The information is based on three template contracts, provided by Bank B1 in March 2009.



### **Bank C1**<sup>659</sup>

The contract is printed on several pages, depending on the type of the contract, and does not feature the DIS sign. The contract contains 6 or 7 sections, depending on whether the savings account has an option of a top-up throughout the term of the contract. The last section of the contract lists the details of the retail depositor and the bank and the signatures.

Paragraph 1.4<sup>660</sup> in Section ‘Subject of the Contract’ stipulates that Bank C1 is a member of the DIS, and provides the certificate number and the date of issue. This paragraph also states that deposits are insured in the form, extent and on conditions set by the Federal Law. Paragraph 5.3<sup>661</sup> in Section ‘Concluding Provisions’ states that bank guarantees the return of the amount of the savings account and the payment of interest with all of its property and financial means/funds, including those located in bank’s reserve fund.

Moreover, paragraph 3.2.3<sup>662</sup> of the contract stipulates the obligation on the retail depositor’s part to inform the bank about any changes to the retail depositors’ personal details included in the contract not later than five days from the moment such changes occur.

### **Bank D1**<sup>663</sup>

The contract is printed on one page (excluding the annexes), and does not feature the DIS sign. The contract is written in two languages, Russian and English (side by side), and contains an introductory paragraph (with details of the parties), eight sections and the closing unnumbered section which lists the details of the retail depositor and the bank and the signatures.

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<sup>659</sup> The information is based on two template contracts, provided by Bank C1 in March 2009.

<sup>660</sup> Referring to the first template contract; the same information appears in paragraph 1.5 of the second template contract.

<sup>661</sup> Referring to the first template contract; the same information appears in paragraph 6.3 of the template contract.

<sup>662</sup> Referring to the first template contract; the same information appears in paragraph 4.2.3 of the second template contract.

<sup>663</sup> The information is based on standard template current account contract, provided by Bank D1 in March 2009. The template current account contract is called ‘Current Account Agreement’ in the text and referred to as ‘Agreement’ throughout. Agreement will be referred to as ‘Contract’ for the purposes of this thesis.

The contract template of Bank D1 does not contain any reference to the DIS. However, Section 5 stipulates that the contract is governed by the law of Russian Federation and that parties will be guided by the legislation of Russian Federation in all other matters which are not provided for in the contract.

## **Bank D2**

The clients of Bank D2 do not sign a contract when opening a current or savings account. They complete an application for a package of banking services, which include the opening of a current account and a savings account among other products. Once clients sign up for the package of banking services, they can choose savings accounts from those offered by Bank D2. Neither the application for a package of banking services, nor the application to open a savings account (after becoming a client) contains any information related to the bank's participation in the DIS, or to the functioning of the DIS in general.

The leaflet containing the information on savings accounts available to the retail depositors of Bank D2 (which can be obtained by the retail depositors from Bank D2's branch) does not mention anything about the DIS either, apart from the statement that investment products, offered to the retail depositors of Bank D2, are not insured by the state, do not constitute a savings account and are not guaranteed by the bank. Moreover, the leaflet refers retail depositors to the website of Bank D2 where all conditions of the savings account are published on a special page entitled 'Contract of a savings account'.

The page of Bank D2's website entitled 'Contract for [Opening and Maintaining] a Savings Account' contains terms and conditions of such a contract which form a constitutive part of the savings account contract between Bank D2 and the retail depositors. The other two parts are the application for a savings account (submitted by the retail depositors to Bank D2), and the confirmation of a savings account (given by Bank D2 to the retail depositors).

The terms and conditions contain 6 sections, and are not supposed to be signed by the retail depositors and the bank.

Section 1 'Terms and Conditions of a Savings Account' stipulates that Bank D2 guarantees to retail depositors the safety and the return of the amount of the savings

account in the form, extent and on conditions set by the current legislation. Moreover, the final provisions of these terms and conditions stipulate that the contract of the savings account is regulated and construed in accordance with the legislation of the Russian Federation.

No document provided by Bank D2 for analysis stipulated the obligation on the retail depositor's side to inform their bank about any changes to the retail depositors' personal detail included in the contract.

### **7.3 Findings from In-Branch Observations and from Document Analysis in Relation to Objective 2 “To Strengthen Public Confidence in the Banking System”**

As shown in Table 4.3 in Chapter 4, there are four main indicators related to Objective 2. The impact indicator to be evaluated with the data gathered through observations and document review is impact indicator 2.1.4. The remaining indicators are examined in Chapters 5 and 6 and Sections 7.2 and 7.4 of this chapter.

#### **7.3.1 Depositors Keep Their Savings Accounts in Times of Economic Uncertainty in the Country (Impact Indicator 2.1.4)**

Figure 7.22 depicts data on the value of current/savings accounts by retail depositors in Russia in million RUB as recorded by the CBR for the period from January 1998 up to February 2010.<sup>664</sup>

Three curves represent the total value of current/savings accounts in RUB in red, and the total value of current/savings accounts in foreign currencies in green; the summative curve in blue represents the combined total value across all currencies in RUB value.

It can be seen from Figure 7.22 that starting from 01 October 2008, the dynamic of all three curves changes.

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<sup>664</sup> The financial reports use the first date of the month/year as the reporting date for the previous month/year, for example, date 01 September 2009 refers to the data for the month of August 2009, etc.; <http://cbr.ru/statistics/?Prtid=pdko> (last accessed on 06 February 2010).

The curve representing the total value of current/savings accounts in RUB goes down from RUB 5,169,069 million on 01 September 2008 to RUB 4,042,168 million on 01 February 2009, which can be possibly interpreted as a loss of confidence in the banking system due to the world financial crisis. This fall in the value of current/savings accounts in RUB was happening despite the attempts of the Government to reinforce the confidence in the national banking system by raising the limit of the deposit insurance compensation and abolishing the co-insurance, which were introduced on 13 October 2008 and came into force on 14 October 2008, with retrospective effect for all insured events starting from 01 October 2008.

In contrast, the curve representing the total value of current/savings accounts in foreign currency surges from RUB 923,581 million on 01 November 2008 to RUB 2,112,341 million on 01 March 2009. This can be possibly interpreted as an increase in confidence in foreign currencies by retail depositors in Russia.

The curve representing the combined total value of current/savings accounts across all currencies goes down from RUB 5,978,008 million on 01 September 2008 to RUB 5,523,844 million on 01 December 2008, after which it recovers and starts to grow again.

The dynamics of all three curves between 01 September 2008 and 01 February 2009 can be possibly interpreted in two time periods. The first time period, between 01 September 2008 and 01 November 2008, sees a rapid withdrawal from the current/savings accounts in RUB and more or less stable values of current/savings accounts in foreign currencies, whilst the second time period, between 01 November 2008 and 01 February 2009, sees an increase in the value of current/savings bank accounts in foreign currencies, with a continued withdrawal by retail depositors holding accounts in RUB.

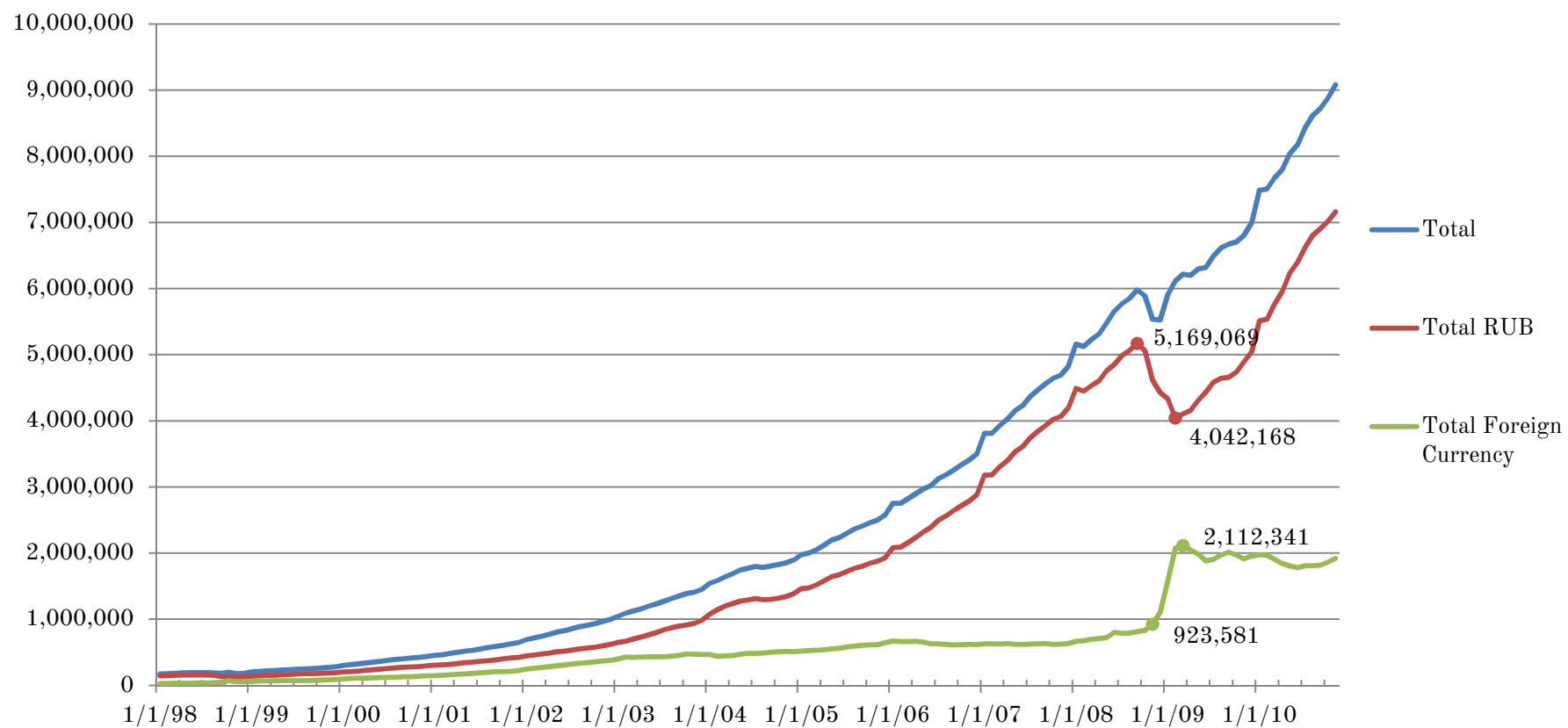
This can be possibly explained not only as a loss of confidence in national banking system at the early stages of the world financial crisis, but also as a loss of confidence in the national currency as the financial crisis progressed.

By 01 March 2009, retail depositors who were more confident in foreign currencies would have transferred the value of their current/savings accounts from RUB into

foreign currencies and, as can be seen from the dynamic of the curve representing total value of current/savings accounts in foreign currencies, the value of such accounts stabilised and floated on and around the RUB 2,000,000 million mark until 01 December 2010, with the lowest value being RUB 1,778,400 million reported on 01 June 2010.

**Figure 7.22**

The volume of retail deposits in RUB and in foreign currency (RUB equivalent) in Russia in 1998-2010, in RUB million



Source: Financial reporting information from the CBR's website (<http://www.cbr.ru>).

## **7.4 Findings from In-Branch Observations and from Document Analysis in Relation to Objective 3 “To Encourage Household Savings in the Banking System of the Russian Federation”**

As shown in Table 4.3 in Chapter 4, there are five main indicators related to Objective 3. The impact indicator to be evaluated with the data gathered through observations and document review is impact indicator 3.1.1. The remaining indicators are examined in Chapters 5 and 6 and Sections 7.2 and 7.3 of this chapter.

### **7.4.1 The Public Opens More Savings Accounts and/or Increases the Value of Existing Savings Accounts (Impact Indicator 3.1.1)**

In order to assess the relevance of statistical data on the amounts held by retail depositors on current and savings accounts in Russia to evaluate the success of the DIS, Figure 7.23 depicts the changes in the amounts of retail deposits in the six participating banks in RUB (total across all currencies) for the period of 1998-2010 (data reported on 01 January 1999 and 01 January 2011 respectively).

Whilst the six participating banks entered the DIS at different times, it is clear that there was no immediate substantial increase in the amounts of retail deposits held at these banks as a consequence of the introduction of the DIS.

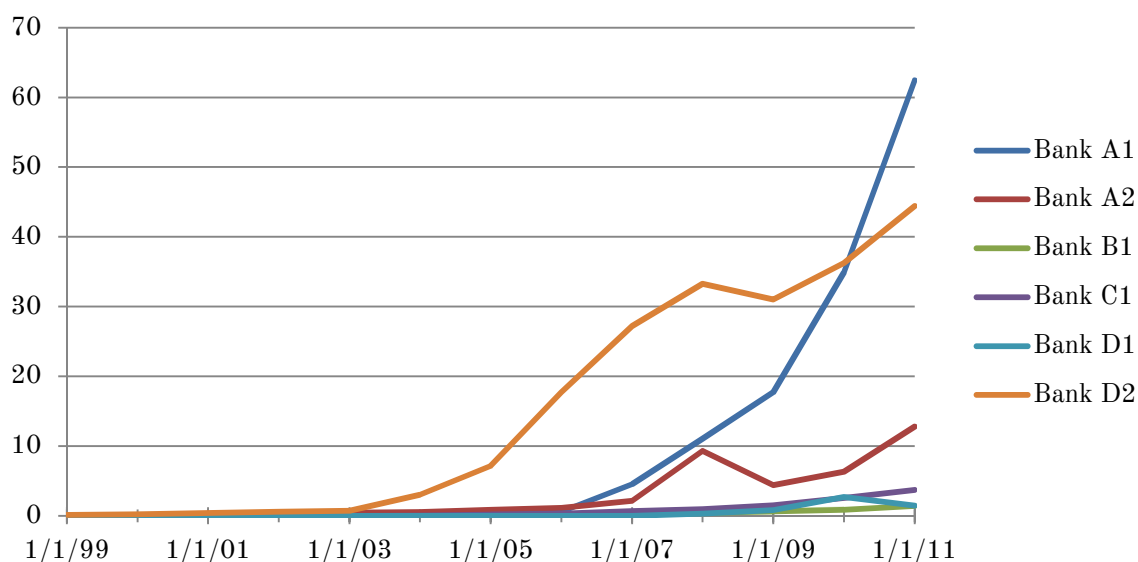
Looking further at the data presented in Figure 7.23, it is possible to note that Bank A1 and Bank D2 have the most significant increase in the amount of retail deposits as of 01 January 2010, but that the development started at different times. Whilst the amount of retail deposits in Bank D2 started growing in 2003 (reported on 01 January 2004), well before the introduction of the DIS, in the case of Bank A1, the same growth took place in a much shorter time frame – between 2006 (reported on 01 January 2007) and 2009 (reported on 01 January 2010).

Figure 7.23 also clearly shows that Bank A2 and Bank D2 are the only two banks from the six participating banks which reported a fall in the amounts of retail deposits 2008 (reported on 01 January 2009). Whilst in the case of Bank A2, there was a situation of governmental buy-out which may explain the uncertainty among retail depositors, there

is no clear evidence that may suggest the reasons for the same behaviour of retail depositors in relation to Bank D2.

**Figure 7.23**

Total volume of retail deposits in six participating banks in 1999-2010, in RUB billion



*Source:* Financial reporting information from the CBR's website (<http://www.cbr.ru>).

It should also be noted that both banks, Bank A2 and Bank D2, showed an increase in 2009 (reported on 01 January 2010), but as against Bank D2, Bank A2 has not reached the pre-crisis level of retail deposits yet (as of reporting date).

It is clear that, whilst the increase in the total amount of all depositors in Bank A1 slowed down in 2008 (reported on 01 January 2009), Bank A2 showed steady growth in the amount of retail depositors in 2006-2008, irrespective of the financial crisis. The growth in 2009 (reported on 01 January 2010) was more rapid than in previous years.

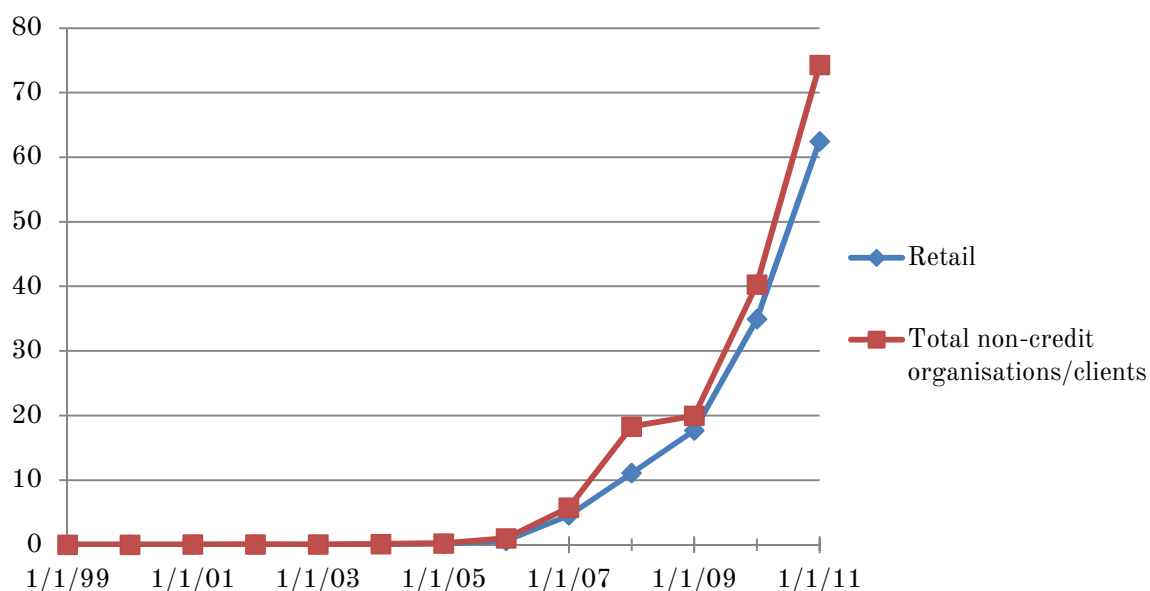
By looking at the same data for each bank separately, it is possible to look in detail at the changes in the amounts held by retail depositors in each of the six participating banks, compared to the total amounts of depositors held in each bank by retail and business depositors (excluding credit organisations).



Figure 7.24 depicts the amount of deposits held by retail depositors compared to the total amount of deposits by all non-credit organisations and retail depositors taken together in Bank A1.

**Figure 7.24**

Total volume of retail and total deposits in Bank A1 in 1999-2010, in RUB billion



Source: Bank A1's financial reporting information from the CBR's website (<http://www.cbr.ru>).

From Figure 7.24, it is clear that Bank A1 is more oriented towards retail depositors than towards business depositors.

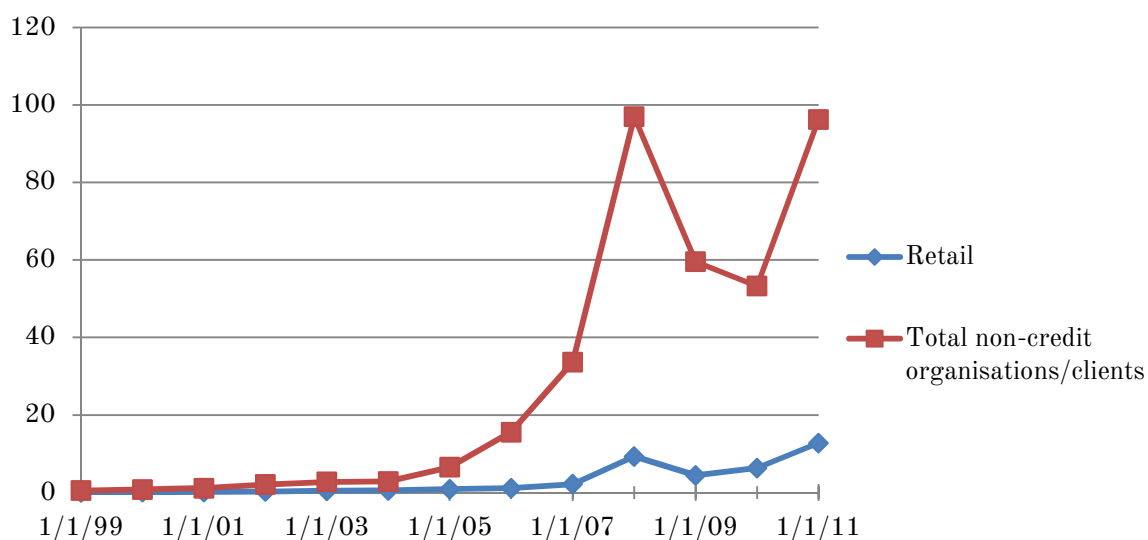
Figure 7.25 depicts the amount of deposits held in Bank A2 by both retail depositors and business depositors (non-credit organisations) in total, and by retail depositors separately. As can be seen from Figure 7.25, up to 2008 both curves show growth, through the growth of the curve representing the total amount of depositors (in red) showed more dynamic growth, which points to the fact that Bank A2's strategy was directed towards the business depositors at the time.

The financial crisis in 2008 hit Bank A2 more than any other of the six participating banks. As can be seen from Figure 7.25, the withdrawals by business depositors (the difference between the amount of total depositors and the amount of retail depositors) were higher than withdrawals by retail depositors and, whilst the dynamic of the retail deposits picked up in 2009 (reported on 1 January 2010), in the case of business

depositors, the decrease continued until 2010, when it grew to the pre-crisis level (reported on 01 January 2011).

**Figure 7.25**

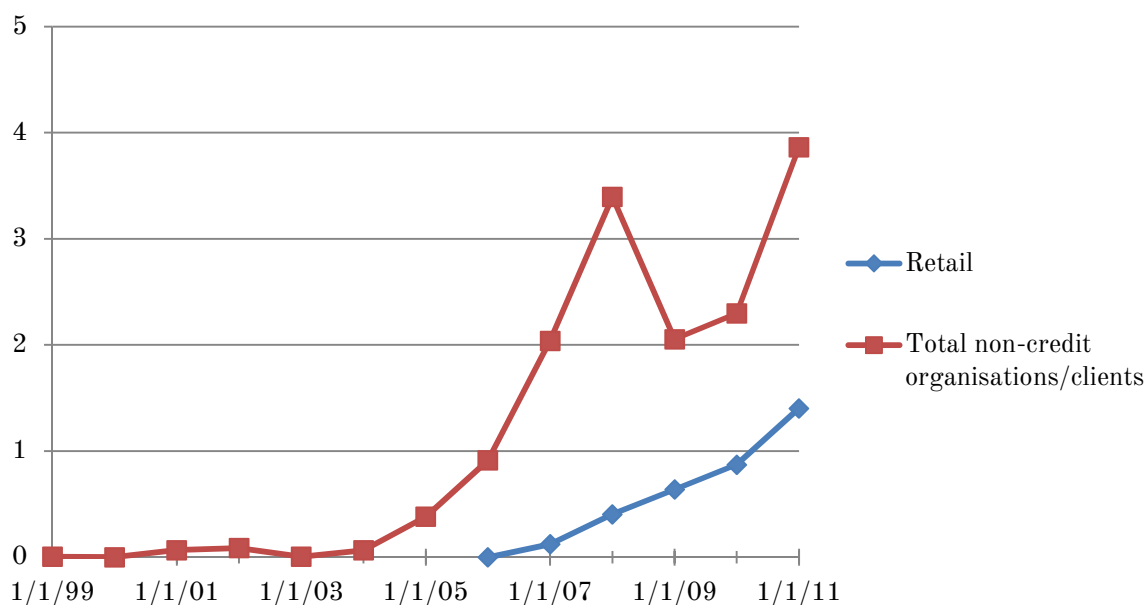
Total volume of retail and total deposits in Bank A2 in 1999-2010, in RUB billion



Source: Bank A2's financial reporting information from the CBR's website (<http://www.cbr.ru>).

**Figure 7.26**

Total volume of retail and total deposits in Bank B1 in 1999-2010, in RUB billion



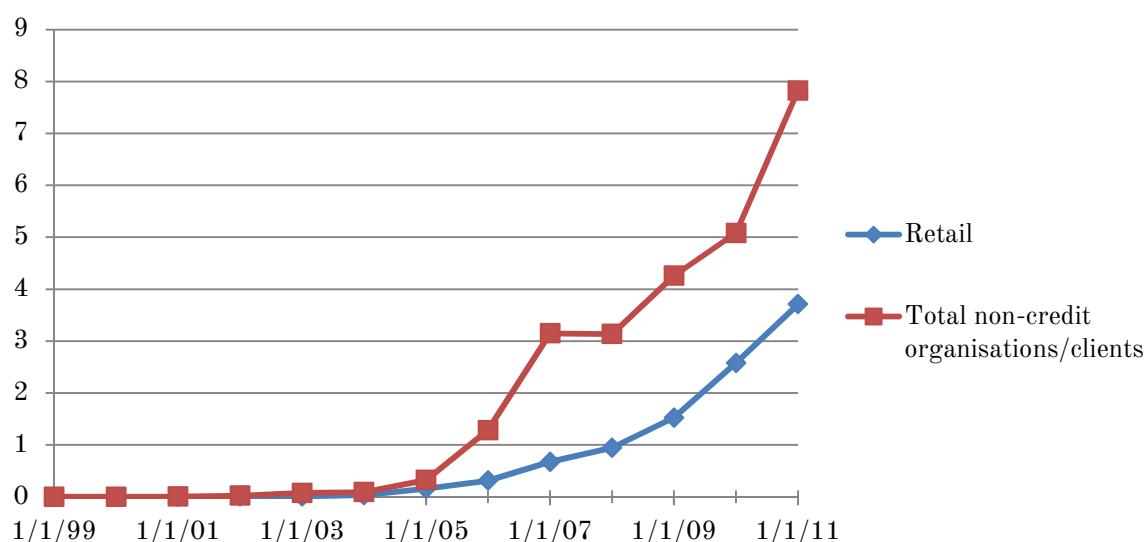
Source: Bank B1's financial reporting information from the CBR's website (<http://www.cbr.ru>).

Bank B1 started working with retail depositors only in 2006 (reported on 1 January 2007). As can be seen from Figure 7.26, there was a steady increase in the amount of retail deposits from 2006, and Bank B1 has not been affected by the financial crisis in this respect. It is clear that the situation with business depositors (non-credit organisations) is different.

In 2008, the amount of total deposits held by both the retail depositors and the business depositors (non-credit organisations) sharply decreased, almost to the levels of 2006 (reported on 1 January 2007). However, it picked up and started to grow in 2009 (reported on 1 January 2010). Considering the amount of retail deposits continued to grow throughout the period, it is possible to attribute the decrease in the total amount of deposits in 2008 to the withdrawals by the business depositors (non-credit organisations).

**Figure 7.27**

Total volume of retail and total deposits in Bank C1 in 1999-2010, in RUB billion



Source: Bank C1's financial reporting information from the CBR's website (<http://www.cbr.ru>).

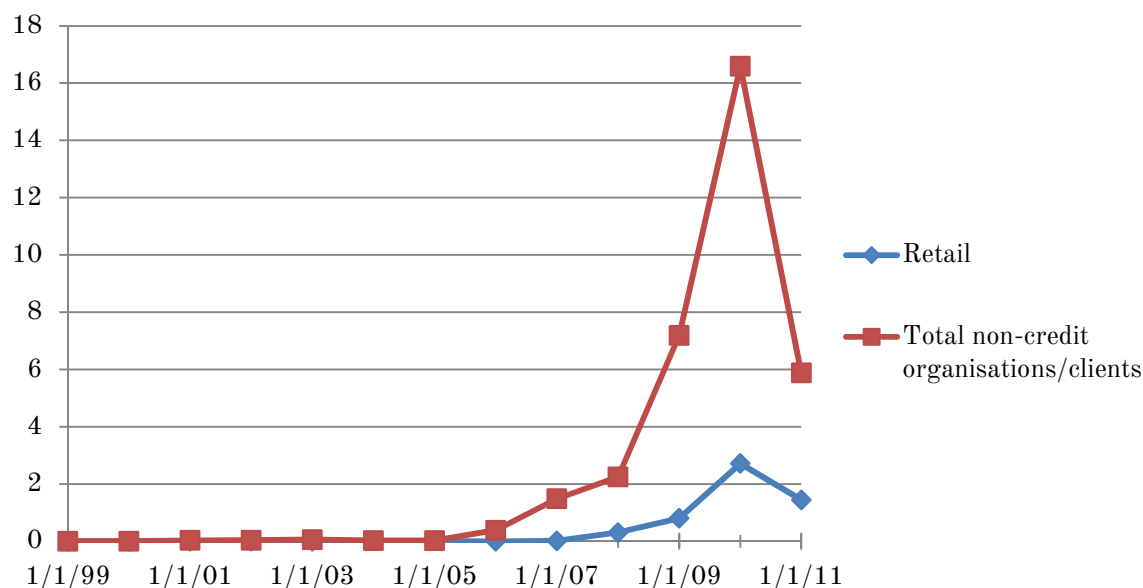
As can be seen from Figure 7.27, Bank C1 was not affected by the financial crisis in terms of the growth of retail deposits.

The growth in the total amount of deposits held in Bank C1 by both the retail depositors and the business depositors (non-credit organisations) ceased, and even slightly decreased

in 2007 (reported on 1 January 2008), a year before the financial crisis in Russia. However, the pace of growth picked up in 2008 (reported on 1 January 2009). It can also be said that, considering the growth of retail deposits continued through the period, the decrease of the total amount of deposits held in Bank C1 can be attributed to withdrawals by business depositors (non-credit organisations).

**Figure 7.28**

Total volume of retail and total deposits in Bank D1 in 1999-2010, in RUB billion



Source: Bank D1's financial reporting information from the CBR's website (<http://www.cbr.ru>).

With regard to Bank D1, Figure 7.28 shows that the amount of total deposits held by both the retail depositors and the business depositors (non-credit organisations) grew significantly, showing over a sevenfold increase between 2007 (reported on 1 January 2008) and 2009 (reported on 1 January 2010).

Considering the growth of the retail deposits was less dramatic, Figure 7.28 confirms the strategy of the bank to service mainly the business depositors, which has been officially confirmed by the decision of the parent banking group of Bank D1 in October 2010 to phase out retail banking operations in the territory of Russia, and to concentrate on business depositors from a set number of foreign countries, and their employees, only.

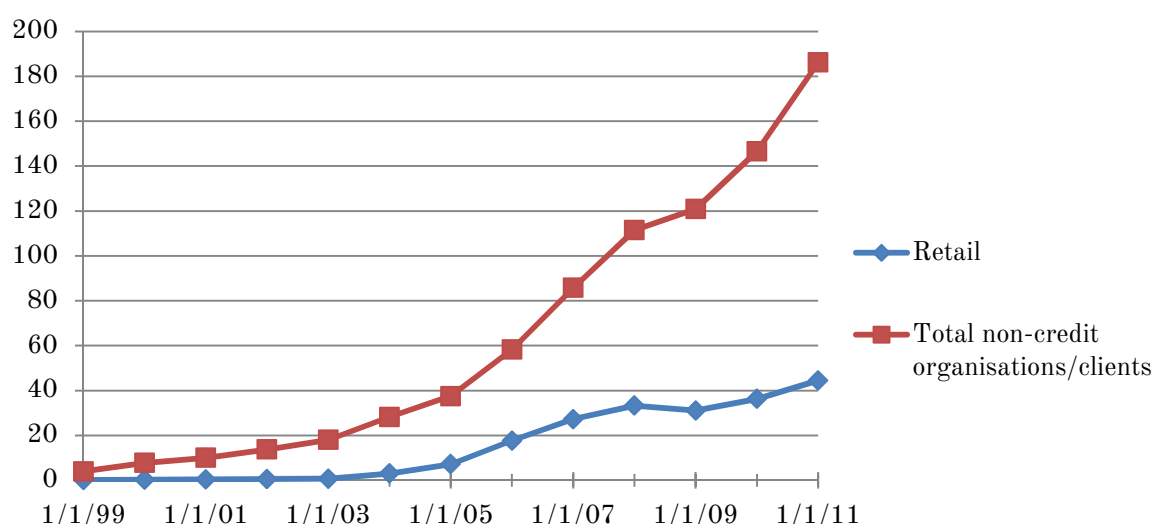
Bank D2 is one of only two of the six participating banks which had withdrawals by retail depositors in 2008 (reported on 1 January 2009), the year when the financial crisis hit Russia.

However, compared to Bank A2 (see Figure 7.25 above), Bank D2 saw a decrease in the amount of retail deposits only, whilst the amount of deposits held by business depositors (non-credit organisations) continued to grow throughout the financial crisis.

As can be seen from Figure 7.29, the pace of the growth of the total amount of deposits held in Bank D2 by both the retail depositors and the business depositors (non-credit organisations) slowed down in 2008 (reported on 1 January 2009), which can be explained by the balancing of the decreasing amount of retail deposits by the increasing amount of business deposits.

**Figure 7.29**

Total volume of retail and total deposits in Bank D2 in 1999-2010, in RUB billion



Source: Bank D2's financial reporting information from the CBR's website (<http://www.cbr.ru>).

## 7.5 Summary

The results of the document and observational data analysis carried out in this chapter show that, whilst there is a legal duty on the part of a bank to inform retail depositors about the DIS, there are substantial differences in the way banks present information

about the DIS to retail depositors.

Attempts by the DIA to provide guidance to the banks on the best ways to inform depositors (in the form of Recommendations), are undermined by the fact that these Recommendations have no enforcement mechanism. As a result, there are confusing messages about the DIS coming from some banks and no information about the DIS from others.

The financial data presented in this chapter shows that there was an outflow of deposits from the Russian banks during the 2007-2009 global financial crisis. Depositors withdrew their savings, despite government attempts to maintain the public's confidence in the banking system by increasing the maximum compensation amount under the DIS and abolishing the co-insurance.

The link between the results of the document and observational data analysis in this chapter and the results of quantitative and qualitative data analyses will be discussed in Chapter 8.

## Chapter 8

### Discussion

*“One of the great mistakes is to judge policies and programs by their intentions rather than their results.”*  
–Milton Friedman (1912-2006)

This chapter provides an overview of, and discusses, the main findings from the quantitative, qualitative, and document and observational data analysis, as well as comparing these to the literature on the subject. Section 8.1 summarises the research purpose and the research question. Sections 8.2, 8.3 and 8.4 provide a discussion of the main findings against each of the stated objectives of the Russian DIS reform. Finally, Section 8.5 places the main findings of this research into a broader context of previous studies into the Russian DIS, presented in Chapter 3, and the academic literature, reviewed in Chapter 2.

#### **8.1 Research Purpose and Research Question**

As set out in Chapter 1, the research purpose of this thesis is to evaluate the Russian DIS against its stated objectives, and to identify possible problems with the implementation of the 2003 reform, and the research question is *‘Has the Russian DIS achieved its stated objectives?’*

Chapter 2 examined the importance of the DIS for depositor protection and for maintaining public confidence in the banking system. The review of theories of public policy implementation and evaluation has shown that, when implementing a governmental programme across a vast number of units (in this instance, banks), there will always be a human factor that affects the quality of implementation, and leads to variations from the original stated objectives.

The Russian DIS has three stated objectives, namely (i) to protect the rights and legal interests of depositors, (ii) to strengthen public confidence in the banking system, and (iii) to encourage household savings in the banking system.

As shown in Chapter 3, previous attempts at evaluating the Russian DIS failed to provide a clear overview of the multiple viewpoints across the spectrum of stakeholders. Using a critical realist perspective, the present investigation looked at the DIS in the context of multiple realities and multiple stakeholders, who were influenced and affected by the introduction of the DIS in Russia. Since banks are obliged to disseminate information about the DIS to retail depositors, six banks agreed to participate in the present investigation and this provided a platform for data collection.

## **8.2 Main Findings in Relation to Objective 1 “To Protect the Rights and Legal Interests of Household Depositors”**

From the data analysed in Chapters 5, 6, and 7, the following main findings have emerged.

### **8.2.1 Main Findings from the Quantitative Data Analysis**

With regard to the retail depositors’ perceptions of their knowledge about the DIS, and the information provision from the banks they patronise, the main findings are as follows.

First, over a half of all respondents thought that their rights and legal interests were more protected after the introduction of the DIS in 2003. It appears that the respondents’ belief in a better protection of their rights as depositors depends on which bank they patronise. Bank A1 has the highest proportion of retail depositors who believe that their rights are better protected now than before the introduction of the DIS, whilst Bank C1 has the lowest proportion of such retail depositors.

Second, whilst just under half of the respondents rated their perceived knowledge about the DIS as ‘excellent’ or ‘good’, a third of respondents stated the deposit insurance coverage limit wrongly or did not state amount at all. Almost half of the respondents were confused about the organisation responsible for the payout in case of an insured



event, with every fifth respondent being unaware of which organisation was responsible for the compensation process.

It is essential to note that all of the above results depend on the bank the respondents patronised. It is clear from the additional analysis presented in Chapter 5 that retail depositors at Banks B1 and A1 have the highest perceived knowledge of the DIS, whilst Bank B1 has a significantly higher proportion of retail depositors who know the correct maximum compensation amount, and Banks D2 and A2 have the lowest proportion. Furthermore, it appears that Bank D1 has the highest proportion of retail depositors who are aware that the DIA is responsible for the payout in case of an insured event.

Knowledge about the DIS amongst retail depositors also differed according to which banking products and services they used. For example, the practice of opening a bank account with a debit or credit card through the ‘salary project’ might have a negative impact on the knowledge of those retail depositors. Only one in four respondents who claimed to have a card through the ‘salary project’ acknowledged the existence of a current account with their respective bank, thus the majority of those who had a card through the ‘salary project’ did not know that they were, in fact, depositors within the meaning of the Federal Law. As the ‘salary projects’ spread across Russia, more and more retail depositors might be confused as to whether or not they are protected under the Federal Law, unless it is made clear to them that the debit or credit card on which they receive their monthly salary is attached to a current bank account.

Furthermore, whilst the vast majority of respondents knew that their bank was a member of the DIS, Bank D2 had by far the highest proportion of retail depositors who thought that their bank was not a member of the DIS.

Third, whilst the vast majority of respondents received information about the DIS from their bank in one way or another, only one in every seven respondents actually read about it in their bank account contracts. Other respondents received the information either from the clerk or from the information stand in the bank’s branch. The highest proportion of these patronised Bank A1, whilst Bank B1 had a significantly higher number of those respondents who found the information by reading their bank account contracts. In

addition, Banks D2 and A2 had the highest proportions of those who stated that they did not receive any information about the DIS from their bank at all.

Fewer than one in four respondents were given details of the changes in the parameters of the DIS in October 2008 by the bank they patronised, with the highest proportion of these respondents coming from Bank A1, and the lowest from Bank D1.

Fourth, the vast majority of respondents agreed that they were confident about finding additional information about the DIS, with Banks B1 and D1 having the highest proportion of such retail depositors.

### 8.2.2 Main Findings from the Qualitative Data Analysis

As for bank staff's understanding of how the DIS operates, and the bank staff's and representatives of the judiciary's perception of the retail depositors' knowledge about the DIS, the main findings are as follows.

First, all senior bank staff believed that the rights and legal interests of retail depositors had greater protection since the introduction of the DIS in 2003. Furthermore, most of them also noted that the retail depositors' knowledge about their rights as depositors had increased.

Second, when examining the perceptions of retail depositors' knowledge in more detail, less than one in five bank clerks thought that retail depositors knew about both the parameters of the DIS and the compensation process. More than a third of bank clerks thought that there was a clear difference between depositors' knowledge of the parameters of the DIS and their understanding of the compensation process. This perception was echoed by the senior bank staff, all of whom thought that retail depositors knew the maximum compensation amount. However, not all senior bank staff believed that the same could be said about retail depositors' knowledge of the compensation process and the timings involved.

Senior bank staff gave varied explanations of this phenomenon. Some said that knowledge depended on the level of depositors' economic and financial literacy, and that those less economically and financially literate would only know the basic details, like the

maximum compensation amount. Others suggested that most people would know the deposit insurance coverage limit, and that the information gap in the retail depositors' knowledge was within the area of the compensation process. They explained this by reference to Russian mentality, whereby Russians learnt how to deal with a problem (in this case, an insured event) only when such a problem occurred.

Third, further to the statements above, it appears that retail depositors had difficulty with understanding the basic features of the DIS in Russia. Thus, more than a half of bank clerks recalled retail depositors asking questions about the bank's membership of the DIS when, in fact, membership is compulsory for all retail deposit-taking institutions. Most senior bank staff supported this view, stating that the question about the bank's membership in the DIS was by far the most common, if not the only, question that retail depositors asked. In addition, the retail depositors might have been confused about the maximum compensation amount and the compensation process. Half of bank clerks recalled a question about the deposit insurance coverage limit, and only one in five clerks recalled a question about the compensation process in general. Only one in seven clerks could recall retail depositors asking more focused, situation-specific questions about the compensation process.

The age of the depositor and the amount deposited were the most significant features of retail depositors who chose to ask questions. It was thought that pensioners asked questions not only as a result of their negative experiences during the 1998 financial default when their savings were frozen, but also because they were unlikely to have internet access and did not use ratings, popularity or other information to assess banks. In terms of the deposited amount, the views of bank clerks and senior bank staff differed. Whilst the former believed that retail depositors with large deposits asked more questions, the latter believed that those with smaller deposits tended to ask more questions.

From further probing, it appeared that some bank clerks noted that pensioners tended to ask questions about the bank's membership of the DIS more often than others, and that this was their only question. Some clerks noted that questions about, and requests to calculate, the maximum compensation amount were asked more frequently when changes

in the coverage limit occurred, because depositors were unsure of the actual compensation amount in their case, especially when co-insurance was involved. Some bank clerks noted that questions about the compensation process were specifically asked by depositors with deposits higher than the deposit insurance coverage limit.

Other questions included requests to show a DIS membership certificate, requests to show a copy of the Federal Law and questions as to where in the bank information about the DIS could be found. It is important to note that all of these requests were recalled by clerks from Bank D2.

Fourth, it appears that bank staff's knowledge of the DIS was not uniform, and that some were clearly confused about the basic parameters of the DIS. For example, only three clerks and only one head of branch could name all three objectives of the DIS. Objective 3 about the encouragement of household savings among the population was recalled least often by all bank staff.

The vast majority of bank clerks read the Federal Law, but less than a quarter of them read the Recommendations issued by the DIA. Not all senior bank staff read both the Federal Law and the Recommendations issued by the DIA. The three senior staff who did not read the Federal Law fully admitted that they only browsed through it, or read the parts relevant to their immediate work.

Furthermore, it was clear that three clerks (one from Bank D1 and two from Bank D2) and the head of branch at Bank A2 were confused about the compulsory nature of the DIS in Russia, and gave incorrect statements.

When asked to describe in their own words how the DIS worked, most of the bank clerks mentioned the maximum compensation amount, the existence of the DIA and the fact that compensation takes place when some insured event occurs. Four clerks attempted to state the timings involved in the payout process, but only one managed to state them correctly.

Fifth, in comparison to the finding immediately above, when asked to state what information they would provide orally about the DIS to retail depositors, the majority of bank clerks mentioned the maximum compensation amount, and the fact that their bank was a member of the DIS, with less than a quarter of all clerks mentioning that they

would state that there would be compensation should something happen to the bank. Only two bank clerks explicitly said that they would convey information on the compensation process, whilst a further three clerks stated that they would provide such information only if retail depositors asked specifically about it.

It appears that, when it comes to information provision, bank clerks prefer to be reactive rather than proactive. Clerks from Banks A1 and D1 only agreed that they would all inform retail depositors about the DIS at the initial consultation stage. Many clerks from other banks admitted that they would *not* normally tell depositors about the DIS if they did not ask questions about it. Some bank clerks further stated that they would not advise depositors about the DIS at all, in case they were dissuaded from opening an account.

Bank clerks were equally divided between informing depositors by means of both oral and written information, or merely the provision of oral information about the DIS. This divide was confirmed by the senior bank staff. Senior bank staff from Banks A1 and C1 stated that they provided mostly oral information to retail depositors, and supplemented it with some written information. On the contrary, senior staff from Banks D1 and D2 stated that, whilst they provided information orally, they put emphasis on the provision of written information, as the written form was important to retail depositors.<sup>665</sup>

When changes in the DIS occurred, banks would update the information stands in the branches and would inform retail depositors orally. However, this would be done only when retail depositors visited the branch, which may suggest that depositors who did not visit the branch regularly might not receive such information.

Information provision regarding changes in the DIS was disseminated within banks by email to clerks and, in a third of cases, a dedicated person was responsible for this task. In relation to the first point of contact for bank clerks with regard to questions about the DIS, there was no consistency in answers neither within each bank nor across all banks.

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<sup>665</sup> The head of branch from Bank A2 was not sure whether the standard (green) brochure produced by the DIA was a standard one used by all banks or used only by their bank. The heads of branch from Bank D2 confirmed that they provide all the necessary information in the branch and that it is usually located next to the cashier's office and not in the main area where the consultations with depositors take place. However, it was clear from their responses that depositors are not automatically directed to this information.

This suggests that there was no clearly identifiable procedure for dealing with queries about the DIS which were outside the clerks' immediate knowledge.

This was confirmed by the responses of senior bank staff. Not all of the senior bank staff could clearly articulate whether there was a dedicated person in the bank in charge of information provision about the DIS. Even the senior staff from the same bank were confused, and named different persons or departments as their point of contact. Furthermore, more than half of staff stated that they would consult additional external resources when changes in the DIS occur, which may suggest that the quality of the information on the DIS provided within the banks was not sufficient, and there was no straightforward way to obtain such information internally.

Sixth, only Banks B1 and C1 admitted to using their membership of the DIS as a marketing tool. Both banks were relatively unknown to the population and placed an important role to their membership in the DIS in their advertising.

On the contrary, it appears that banks with 100% foreign capital used reference to the DIS for information purposes only (to comply with the regulation), and not as an instrument to attract new depositors.

Seventh, it emerged that the process of compensation of any amount beyond the maximum coverage limit was somewhat complicated, and might not be understood by the average retail depositor. Whilst the DIA is responsible for the liquidation process and the compensation of amounts above RUB 700,000, representatives of the judiciary were sceptical about the level of financial and legal literacy among the population and their knowledge of the procedures required to be followed in claiming outstanding amounts. Considering there were only a few retail depositors with deposits above the maximum compensation amount, this lack of knowledge might have also have created a psychological barrier that contributed to the reluctance to deposit higher amounts.

### **8.2.3 Main Findings from the Document and Observational Data Analysis**

The main findings arising from analysis of documents collected and observations made at the participating banks which are related to the protection of depositors' rights and legal

interests, their knowledge of the DIS and the provision of information by the banks are as follows.

First, the compensation process in all but four insured events commenced within the time stated in the Federal Law.<sup>666</sup> The four insured events in which the payout did not commence within 14 days as stipulated by the Federal Law occurred late in the year (two in late December 2008 and two in late December 2009), so the scheduled payouts fell due on the long holiday period in January and, thus, were postponed until the end of the public holidays.

The compensation process observed on two occasions appears to have been within the provisions stipulated by the Federal Law. However, it should be noted that not all bank-agents accept the completed claim form, and fill in the claim form on their computer and asked depositors to sign it. This creates additional work on both sides. Moreover, it appears that communications from the DIA regarding amounts above the DI coverage limit through the liquidation process of the failed bank might not be clear enough for some retail depositors to understand.

Second, not all of the six banks in this investigation had a dedicated area with information on the DIS, with some opting for providing such information in a folder which was made available in the area where the consultation with depositors took place. There were significant differences in the presentation of information on the DIS among different branches of some banks.

The best folder with the most information was provided by Bank D2, but it was placed next to the cashier's office, on the wall, and was not easily available for browsing. Bank D1 also opted for providing a folder. Banks B1 and C1 had both a folder and a separate information stand, though these stands differed from branch to branch within each bank. Bank A1 did not have a separate dedicated area. The information presented in the branches of Bank A2 differed from one branch to another.

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<sup>666</sup> This number does not include three insured events where retail depositors did not receive any compensation at all because the obligations were taken over by other banks. For more information see Chapter 7.

Third, in terms of marketing materials, there was no consistency in presenting information about the DIS. Some banks chose to include only the DIS sign and no further information, whilst others opted for a written reference to their membership of the DIS. In addition, some included their number in the register of the banks participating in the DIS, whilst others did not. It was also clear that, whilst some banks put information about the DIS on all marketing materials, irrespective of the target audience, some banks put such information only on the marketing materials related to retail deposits.

Fourth, considering there is no legal obligation for banks to include any reference to the DIS in the text of a bank account contract, but only a recommendation by the DIA, it was not surprising that all six banks differed in the way they presented information on the DIS in the text of their contracts. Only two banks' contracts featured the DIS sign (Banks A1 and B1). Whilst the wording used by all banks is somewhat uniform, generally following the Recommendations of the DIS, there was no consistency in terms of placement of such a wording in the contract.

Bank C1 is the only bank which included in the first section of the contract reference to the DIS, and the fact that all depositors were insured. Other banks placed such information in the last sections of the bank account contract and sometimes among other provisions.

#### **8.2.4 Summary**

The above findings suggest that depositors felt more protected following the introduction of the DIS in 2003, which was also confirmed by bank staff. However, when questioned, retail depositors appeared to be confused as to their understanding of the main parameters of, and the compensation process under, the DIS. It appears that retail depositors' knowledge depends not only on the bank they patronised, but also on the banking products and services used. Those served by Banks B1, A1 and D1 appear to be significantly more knowledgeable than retail depositors from other banks.

There may be several possible explanations to this. Both Banks A1 and D1 inform retail depositors about the DIS at the initial consultation stage, whilst Banks A1 and B1 place the DIS sign on their bank account contracts, all of which may lead to a greater public



awareness of the DIS. Moreover, retail depositors from Banks B1 and D1 appear to know where to find additional information about the DIS, which may suggest that they are confident in their knowledge about the DIS.

The understanding of the DIS by bank staff was limited and only a few bank clerks and senior bank staff appeared to have an in-depth and accurate knowledge. Several bank staff were confused about the compulsory nature of the DIS in Russia. Most clerks had not read the Recommendations, issued by the DIA, whilst a third of senior staff had not read the Federal Law. As a result, clerks did not understand how to inform retail depositors about the DIS, and stated that they would normally limit their information provision to the fact that the bank is a member of the DIS and/or the compensation amount.

From the document analysis, it emerged that the payout process commenced within the time prescribed by the Federal Law in almost all of the insured events. Additionally, what transpired was that the average retail depositor might not have a full understanding about how to claim an amount beyond the maximum coverage limit. The representatives of the judiciary questioned the extent to which the Russian population was able to understand the compensation process.

The provision of information about the DIS varied, not only amongst the banks, but also across the branches of individual banks. This may explain why retail depositors were so confused in their understanding of the DIS. Additionally, the lack of a clearly identifiable procedure for dealing with queries regarding the DIS created a further barrier to information provision.

### **8.3 Main Findings in Relation to Objective 2 “To Strengthen Public Confidence in the Banking System”**

From the data analysed in Chapters 5, 6, and 7, the following main findings have emerged.

### 8.3.1 Main Findings from the Quantitative Data Analysis

With regard to the perceptions of retail depositors concerning their level of confidence in the banking system, the main findings are as follows.

First, almost all respondents were confident in the safety of their money in the bank they patronised, irrespective of the bank. This may be explained by the fact that the retail depositors have been with their bank for a certain time, or took time to choose the bank carefully. Another explanation may be the amount deposited in the bank, as the majority of respondents' deposits were within the DI coverage limit.

Second, in comparison to almost all respondents feeling confident in the bank they patronised, a little over 50% of all respondents felt more confident in the banking system as a whole following the introduction of the DIS in 2003. In addition, almost three quarters of all respondents agreed that the DIS had a major impact on the change in their level of confidence. In terms of changes in confidence levels among the respondents during the global financial crisis, half of the respondents reported no change, despite the increase in the maximum compensation amount in October 2008.

It is vital to note that respondents' confidence levels and their perception of the DIS's impact on it depended on the bank they patronised. Not only was there a proven significant difference between the six banks which participated in this research, it was clear from the additional analysis presented in Chapter 5 that retail depositors at Banks A1 and B1 were significantly more confident in the banking system than the respondents from the other four banks. One possible explanation of this might be the strong focus on retail operations within these two banks, as well as a better organised process of information provision.

Third, whilst less than a third of all respondents chose their bank on the recommendation of a family member, a friend or other person, two-thirds of all respondents agreed that they tend to recommend keeping money in a bank to members of their family and friends, irrespective of the bank they patronise.

### 8.3.2 Main Findings from the Qualitative Data Analysis

With regard to the perception of bank staff about retail depositors' levels of confidence in the banking system, the main findings are as follows.

First, all senior bank staff stated that, in their opinion, the level of depositors' confidence in the banking system increased following the introduction of the DIS. Some of them compared the 1998 financial default to the 2007-2009 global financial crisis, and stated that depositors became less anxious. However, some respondents found it difficult to separate depositors' confidence in the banking system from depositors' saving behaviour, stating that one may infer confidence by looking at saving behaviour. This confusion among the interviewees posed difficulties in analysing the data.

Interviewees did not attribute the increase in confidence solely to the introduction of the DIS, and suggested that increased choice in the banking market and increased levels of financial literacy generally were relevant.

Second, despite general agreement that confidence in the banking system amongst depositors had increased since 2003, all banks experienced an outflow of savings in autumn 2008 when the global financial crisis reached Russia. That outflow took two forms, namely a shifting of savings from bank accounts in domestic currency to bank accounts in a foreign currency and, secondly, a shifting of savings from privately-owned banks to state-owned banks. Most of the interviewees commented that, if it were not for the DIS and the increase in the maximum compensation amount in October 2008, the consequences of the global financial crisis might have been much worse.

### 8.3.3 Main Findings from the Document and Observational Data Analysis

With regard to the document analysis, evidence suggests that, during the global financial crisis, there was a run on the banks, despite the introduction of a higher DI coverage limit and the abolition of co-insurance. Data presented in Chapter 7, shows that retail depositors lost their confidence in the national currency, which resulted in the shift of some savings in domestic currency into savings in foreign currencies. This appears to confirm the perceptions of bank staff on this issue.

### 8.3.4 Summary

The above findings suggest that there was an evident increase in the level of public confidence in the banking system. However, the recent test of confidence levels during the global financial crisis shows that, in time of crisis, retail depositors are not confident enough in the banking system to keep their savings in the bank, despite governmental attempts to calm retail depositors by introducing a higher DI coverage limit.

Furthermore, there will need to be more evidence to confirm the exact impact of the introduction and proper functioning of the DIS on the public confidence in the banking system. At present, it is not possible to differentiate between the impact of the DIS made and the many other possible reasons for such an increase in public confidence in the banking system.

## 8.4 Main Findings in Relation to Objective 3 “To Encourage Household Savings in the Banking System of the Russian Federation”

From the data analysed in Chapters 5, 6, and 7, the following main findings have emerged.

### 8.4.1 Main Findings from the Quantitative Data Analysis

With regard to the perceptions of retail depositors about the change in their saving behaviour, the main findings are as follows.

First, only a quarter of respondents increased the value of their savings because of the DIS, whilst the saving behaviour of more than half of all respondents remained unchanged, despite the introduction of the DIS in 2003. Paradoxically, more than half of respondents agreed that the DIS had a major impact on the changes in their saving behaviour. Thus, it appears that retail depositors attributed no change in their saving behaviour during the global financial crisis to the existence of the DIS, as there were low levels of withdrawals by depositors in the six participating banks in the third quarter of 2008.

It is vital to note that the changes in saving behaviour and the perception of the DIS's impact on it amongst the respondents depended on the bank they patronised. Not only is there a proven significant difference between the six banks which participated in this research, it is also clear from the additional analysis presented in Chapter 5, that retail depositors at Banks A1 and B1 changed their saving behaviour significantly more than respondents from the other four banks. On the contrary, the significantly higher number of respondents from Banks D1 and D2 reported no change in their saving behaviour.

Second, in terms of changes in saving behaviour amongst the respondents following the increase in the DI coverage limit to RUB 700,000 in October 2008, only one in four respondents increased, or was planning to increase, the value of their savings in the bank they patronised, whilst one in ten opened, or was planning to open, a new savings account in another bank. The majority of respondents were not planning to increase the amount in their bank account, nor did they plan to open a new bank account, despite the increase in the DI coverage limit.

These results, as in the first main finding above, depended on the bank the respondents patronised at the time of the survey. The respondents from Banks A1 and B1 were significantly more inclined to increase the amount in their bank account following the increase in the maximum compensation amount. The respondents from Banks B1 and C1 were significantly more inclined to open a new bank account in another bank. Significantly more respondents who planned no changes were from Banks D1 and D2.

#### **8.4.2 Main Findings from the Qualitative Data Analysis**

With regard to the perception of bank staff about the change in retail depositors' saving behaviour, the main findings are as follows.

First, almost all senior bank staff stated that, in their opinion, depositors' saving behaviour increased. Two of the interviewees from Bank B1 stated that there was a temporary decrease in the level of saving behaviour during the global financial crisis. However, this was not confirmed by the document analysis, which showed that the retail

business of Bank B1 did not suffer as a result of the global financial crisis at all.<sup>667</sup> Some interviewees emphasised that retail depositors were spending more time gathering information about the bank they wanted to patronise, and also that more of such information was available on the market.

On the whole, interviewees did not attribute the increase in retail depositors' saving behaviour only to the introduction of the DIS, and named several other possible reasons for such an increase. These included higher quality of customer service, an increase in the level of financial literacy among retail depositors, and the introduction of new banking products and services on the market.

Second, the interviewees confirmed the following tendency in the saving market. At the outset of the DIS, retail depositors were dividing their resources between different banks so that their deposits were covered by the maximum compensation amount. As the maximum coverage limit increased, retail depositors accumulated their deposits in fewer accounts.

Third, most of the senior bank staff pointed out that there was no major shift in the perception of the DIS among retail depositors following the increase in the maximum compensation amount.

Whilst, in the opinion of senior bank staff, many retail depositors actively increased their deposits to the new coverage limit introduced in October 2008, interviewees stressed that the DI coverage limit is a psychological barrier for many retail depositors preventing them from depositing higher amounts. This psychological barrier was used by some banks in the market by introducing so-called 'fully guaranteed deposits', whereby the amount of deposit was limited to RUB 700,000.<sup>668</sup>

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<sup>667</sup>These interviewees might have referred to a 'temporary' outflow, which has not materialised in the annual financial statements. The inflow of retail deposits in November-December 2008 might have returned the value of retail deposits to the pre-October 2008 level.

<sup>668</sup>None of the six banks participating in the research introduced such bank accounts following the increase in the DI coverage limit in October 2008.

### 8.4.3 Main Findings from the Document and Observational Data Analysis

With regard to the document analysis, evidence suggests that there was no immediate substantial increase in the amount of retail deposits held at the six participating banks. Banks A1 and D2 have a similar amount of retail deposits and show the most significant increase in the amount of retail deposits. However, the growth rate for these two banks is different with Bank D2 showing growth from 2003, whilst Bank A1 shows growth from 2006.

When looking at the six participating banks separately, it is clear that not all of them are focused on retail deposits. For example, Bank A1 is clearly mostly retail-orientated, as the majority of its deposits are by retail depositors. Bank D1 has always been orientated towards business depositors, which was also confirmed by the bank's decision to cease retail operations and only provide retail services to the employees of the bank's corporate clients. In case of Bank B1, it only started working with retail depositors in 2006, and has been steadily growing. The retail business of Bank C1 was also not affected by the financial crisis, and the amount of retail deposits continued to grow at an accelerated rate over the last two years of the investigation.

Moreover, in terms of the response to the 2007-2009 global financial crisis, not all of the six banks were affected in the same way. Banks A2 and D2 were the only two banks of those participating in the research to suffer an outflow of retail deposits. Bank A2 saw an outflow of both retail and business deposits, and Bank D2 saw an outflow of retail deposits only. Whilst the outflow of retail deposits in Bank A2 can be explained by the uncertainty among retail depositors following the governmental buy-out of the bank, there is no immediately apparent reason for the same behaviour of retail depositors patronising Bank D2.

### 8.4.4 Summary

The above findings suggest that the deposit insurance coverage limit is a determinant of the upper level of savings for most of retail depositors, and that the increase in the value of bank accounts will follow the increase in the coverage limit and not the other way around.

Furthermore, unfortunately, it is not possible to attribute the increase in the number and volume of retail deposits to the introduction of the DIS. On the one hand, the statistics show a steady increase in the value of retail deposits, with senior bank staff perceiving this as an outcome of increased saving behaviour among retail depositors. On the other hand, the majority of retail depositors believe that their saving behaviour remained unchanged, despite the introduction of the DIS in 2003 and the increase in the coverage limit in October 2008.

As a result, owing to the difficulty to measure the impact of the introduction of the DIS on saving behaviour of the retail depositors, and complexity of other plausible reasons for the increase in household savings, there will need to be more evidence to confirm the exact impact of the introduction and proper functioning of the DIS on the changes in the saving behaviour of the population.

## **8.5 Summary of the Main Findings in Relation to the Stated Objectives of the DIS**

The findings in relation to *Objective 1 “To Protect the Rights and Legal Interests of Household Depositors”* presented in Chapters 5, 6 and 7, and discussed in Section 8.2 of this chapter, suggest that the system which was put in place by the DIA provides adequate DI coverage in a timely manner. The evidence suggests that retail depositors felt more protected following the introduction of the DIS in 2003 and, thus, it could be concluded that Objective 1 has been met.

However, based on the additional evidence and further data analysis, it can be said that the way the Objective 1 was met differs between the banks. Banks have an obligation to provide the information on the DIS to the retail depositors. However, the provision of information about the DIS varied, not only amongst the banks, but also across the branches of individual banks. Considering the depositors from certain banks participating in the research appeared to know significantly more about the main parameters of, and the compensation process under, the DIS than depositors from other banks, it is clear that the DIS has been implemented unevenly across different banks. The same can be said about the understanding of the DIS by bank staff, which was not only limited, but also differed amongst the banks and across the branches of individual banks.



The findings in relation to *Objective 2 “To Strengthen Public Confidence in the Banking System”* presented in Chapter 5, 6 and 7, and discussed in Section 8.3 of this chapter, suggest that there was an evident increase in the level of public confidence in the banking system. The retail depositors appeared more confident in the banking system than before the DIS was introduced, and this increased confidence was also confirmed by the perceptions of the bank staff: Thus, it could be concluded that Objective 2 has been met.

However, the additional evidence suggests that, in time of crisis, retail depositors are not confident enough in the banking system to keep their savings in the bank, despite governmental attempts to calm retail depositors by introducing a higher DI coverage limit. Furthermore, more evidence will be required to confirm the exact impact of the introduction and proper functioning of the DIS on the public confidence in the banking system.

The findings in relation to *Objective 3 “To Encourage Household Savings in the Banking System of the Russian Federation”* presented in Chapter 5, 6 and 7, and discussed in Section 8.4 of this chapter suggest that there was not enough evidence to conclude that the Objective 3 has been met. It was not possible to attribute the increase in the number and volume of retail deposits to the introduction of the DIS. Whilst official statistics showed a steady increase in the value of retail deposits, with senior bank staff perceiving this as an outcome of increased saving behaviour among retail depositors, the majority of retail depositors believed that their saving behaviour remained unchanged, despite the introduction of the DIS in 2003 and the increase in the coverage limit in October 2008.

The results of qualitative data analysis presented in Section 8.4.2 suggest that the apparent changes in retail depositors’ saving behaviour could have been affected by a range of factors including, but not limited to, higher quality of customer service, an increase in the level of financial literacy among retail depositors, the introduction of new banking products and services on the market. Further reasons for such a change could have also been of a non-banking nature, for example, changes in retail depositors’ employment status and salary levels, changes in family circumstances and the state of the economy on the whole, may also have contributed to the increase in the value of retail deposits. It is argued that it would have been nearly impossible to successfully take

account of the myriad of such variables when assessing the impact the introduction of the DIS has had on the increase in the level of household savings.

Owing to the difficulty to measure the impact of the introduction of the DIS on saving behaviour of the retail depositors in general, and complexity of other plausible reasons for the increase in household savings, more evidence will be required to confirm the exact impact of the introduction and proper functioning of the DIS on the changes in the saving behaviour of the population. However, based on the additional evidence it is clear that the DI coverage limit remains as a determinant of the upper level of savings for most of retail depositors, and that the increase in the value of bank accounts will follow the increase in the coverage limit and not the other way around.

## **8.6 Discussion of the Main Findings against the Literature**

The Russian DIS, introduced in 2003, was devised by the Russian Government to mirror the explicit DISs introduced in other countries. The main objectives of the DIS included depositor protection, increase of public confidence in the banking system, and the encouragement of household savings. Depositor protection was high on the agenda of the Russian Government, owing to the collapse of the banking system and the loss of savings by the population during the 1998 financial default.

The main test for the Russian DIS took place in autumn 2008, when the global financial crisis reached Russia. The attempt of the Russian Government to prevent bank runs by introducing a higher coverage limit and abolishing co-insurance failed to impress retail depositors, who continued withdrawing their savings from the banks they patronised.

The data collected through the retail depositor survey, interviews with bank staff and representatives of the judiciary, in-branch observations, and numerous documents allowed the evaluation of the impact of the Russian DIS. However, any of the findings and analytical propositions should be viewed in the context of academic literature, as well as the past evaluations of the DIS, commissioned by the DIA.

The following sections will discuss the main findings of the present investigation against the literature on the features of a DIS, on depositor protection, on challenges in

implementation of governmental programmes, and on the past attempts at evaluating the Russian DIS.

### 8.6.1 Features of a DIS

Depositor protection and financial stability are the most recognised public policy objectives of the DIS. These can be achieved through a combination of features, which include essential issues which have to be addressed when establishing a DIS (see, for example, Bernet and Walter, 2009; Demirgüç-Kunt and Kane, 2002; Demirgüç-Kunt et al., 2008c; Demirgüç-Kunt and Sobaci, 2001; Garcia, 1996, 1999, 2000; Hoelscher et al., 2006; Kyei, 1995; MacDonald, 1996; Mas and Talley, 1990). The most common features were discussed in Chapter 2.

Whilst all of these are important and have been implemented in the Russian DIS to a certain degree, the co-insurance and information provision regulation resonated with the findings of the present investigation.

#### 8.6.1.1 *Co-insurance*

Some countries decide to introduce a co-insurance element into their DISs so that only a certain percentage of the maximum coverage limit is fully guaranteed, whilst the loss of the remainder is shared with the depositor. The proponents of co-insurance believe that it reduces moral hazard by encouraging depositors to monitor bank performance and risk-taking (see, for example, Ellinger et al., 2005). However, critics suggest that co-insurance undermines depositor confidence and, for instance, all EU Member States were obliged to abolish co-insurance in the aftermath of the recent global financial crisis.

Furthermore, the arguments by the critics of the co-insurance relate to theory on information asymmetry in the financial markets, whereby depositors have access only to a fraction of the information on bank performance, out of which even smaller portion is read and understood (Balling, 2011).

The Russian DIS had a co-insurance element introduced in 2006, which was subsequently removed in October 2008 to prevent bank runs by the population.

The findings of the present investigation confirm that co-insurance caused problems for retail depositors. Bank staff stated that, at the time when co-insurance was part of the Russian DIS, retail depositors were confused as to how much compensation they would be given in case of an insured event. This was illustrated by reference to a number of requests by retail depositors to calculate the compensation amount based on the amount deposited in their bank accounts. Since the abolition of the co-insurance element as part of the Russian DIS, it became easier for retail depositors to understand the compensation amount and, thus, such requests diminished.

The data reconfirms the concerns of the critics of co-insurance. Whilst the moral hazard argument can be substantiated in theory, the use of co-insurance as part of the DISs should be selective and dependent on the levels of financial literacy of the population. Furthermore, the introduction of such a feature may undermine the public confidence in the banking system.

#### **8.6.1.2    *Payout Process***

When it comes to the payout process in the case of an insured event, the compensation may be arranged by the organisation or governmental body which runs the DIS, by bank-agents chosen and nominated by this body, or, in some countries, through the postal system.

In the past, the Russian DIA chose to organise the payout through all three methods. Bank-agents were mostly used in the case of insured events involving banks with a widespread network of regional offices and/or branches. Whilst this certainly helped to speed up the compensation process and simplified it for a retail depositor, it is not clear what the long-term consequences of this practice will mean for the banking system in Russia.

One of the public policy objectives of the DIS stated in the academic literature (Tompson, 2004), and advocated by several proponents as one of the underlying objectives of the Russian DIS, is the creation of a level playing field for small banks, that would not otherwise be able to attract retail depositors and compete with larger banks.

Bank-agents in Russia are allowed to keep the compensation amounts by offering a bank account to the retail depositor of a failed bank. As evidenced in Chapters 6 and 7, some of the Russian banks, acting as a bank-agent (including Bank A2 of this investigation), have been seen to create special bank accounts for such situations. Whilst there is no evidence to suggest a possible negative impact of these practices on the concentration of the banking sector in Russia, such practices may lead to an artificial consolidation of the client base and creation of a bigger gap between larger and smaller banks in terms of the number of retail depositors and the volume of retail deposits.

The limited data suggests that, when one of the objectives of a DIS is the creation of a level playing field for small and large banks, consideration should be given to the impact of all components of the DIS in terms of competition as an objective, as the introduction of the DIS as such may not be enough to create a foundation for perfect competition in the banking sector.

When it comes to the payout process, all banks should have the right to become the bank-agent or the compensation should be carried out by the organisation or governmental body which runs the DIS directly. This would not create any preferential treatment of larger banks with a widespread network of regional offices and/or branches.

### **8.6.1.3    *Public Awareness***

Whilst the public awareness as a feature of a DIS was not widely discussed in academic literature, in 2009 it was introduced as one of the Core Principles for Effective Deposit Insurance Systems (BCBS and IADI, 2009).

Public awareness is understood as an ongoing process of dissemination of information about the benefits and limitations of the DIS. Many countries place the responsibility for dissemination of DIS-related information on the banks participating in the DIS. This is also the case with the Russian DIS, where banks are obliged to provide certain information about the DIS to retail depositors.

However, the Russian DIS does not have any enforcement mechanism to ensure the uniformity of such information provision. The Recommendations, issued by the DIA,

whilst being a good example of the information provision practices, have no legal obligation and, thus, cannot be enforced.

Such practice with limited provisions on information dissemination in the Federal Law and non-enforceable Recommendations, issued by the DIA, has an impact on the public awareness of the DIS, and, as a result, on the level of depositors' understanding of how their savings are protected under the Russian DIS.

As evidenced by the data, the lack of uniformity in information provision among the banks, caused by such practice, resulted in the varied levels of knowledge about the DIS among retail depositors which, in turn, affects levels of confidence in the banking system and the extent to which retail depositors are prepared to part with their savings.

The data reaffirms the importance of public awareness campaigns carried out by the organisation or governmental body which runs the DIS, and by the banks participating in the DIS. Such campaigns have to be uniform and consistent, so that retail depositors at any bank receive the same information in terms of content and amount which, in turn, can lead to higher extent of achievement of the public policy objectives.

### **8.6.2 Depositor Protection**

Depositor protection is one of the key public policy objectives of a DIS. The financial markets, and banking services in particular, being the place characterised by imperfect information, necessitate the creation of provisions for consumer protection. The three main instances of information failure in the market include material non-disclosure (and related issues of information asymmetry),<sup>669</sup> information processing deficiencies and standard form contracts (Trebilcock, 1997).

Some of the findings of the present investigation have raised important questions in relation to savings by retired depositors and standard form contracts used in depositor-bank relationships.

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<sup>669</sup> The findings of the present investigation in relation to information asymmetry have been discussed in Section 8.5.1.1 above.

### **8.6.2.1    *Savings by Retired Depositors***

Several authors have identified characteristics of, and difficulties experienced by, vulnerable consumers (see, for example, Burden, 1998; Scott and Black, 2000). One such group is that of elderly consumers, who are characterised as vulnerable, because of their deficiencies in processing and remembering information (John and Cole, 1986).

On the other hand, elderly consumers typify an average retail depositor, as a result of the high accumulation of liquidity through their lifetime (Cunha et al., 2011). The 2007 and 2010 surveys commissioned by the DIA identified pensioners as the second most common category of typical saver.

As evidenced by the findings of the present investigation, retired retail depositors or pensioners were among the top two categories of those who asked questions about the DIS.

This could be supported by the academic literature on deficiencies in processing the information by different age groups and, in particular, elderly consumers, whereby additional recommendations have been developed on the amount of information required, and response formats, in order to ensure that the effects of deficiencies in information processing among the elderly are minimised.

As the elderly represent, and will continue to represent, one of the most common categories of a typical saver in Russia, more effort should be put into devising information in the quantity and format suitable for the pensioners. Such information should be concise, visual and recognisable across different banks.

### **8.6.2.2    *Standard Form Contracts***

Retail depositors enter a variety of contracts with banks on a daily basis. By the nature of retail banking, these contracts are standard form contracts, whereby depositors join them if they wish to open a bank account, and have no power to change the terms and conditions. Whilst there are pros and cons of using standard form contracts, most of the time there is a lack of transparency with such contracts, as they are usually expressed in

a text which is difficult to read and understand for an average depositor (Wilhelmsson and Willett, 2010).

As a result, consumers in general choose not to read standard form contracts (Gillette, 2006), thus remaining unaware of the terms which may be favourable to them.

This is confirmed by the findings of the present investigation, which shows that retail depositors tend not to read bank account contracts.<sup>670</sup> There are many ways in which banks present information on the DIS in their bank account contracts (if they do so at all). This may be confusing for some retail depositors who became familiar with certain terms in the contract with the bank they patronise, when they decide to open an account in another bank and fail to find similar provisions in the proposed contract.

Unification of the approach to provision of information on the DIS in the texts of bank account contracts may help to increase awareness of the DIS among retail depositors.

### 8.6.3 Implementation of the DIS

The theory of implementation suggests that the best way to implement a public policy is for the organisation or governmental body in charge of the programme to implement it directly or, if this is not possible, to have the least number of parties involved in the implementation (Pressman and Wildavsky, 1973).

Further, the theory of street-level bureaucracy suggests that front office staff tend to inject their own understanding of a governmental programme, as well as the perceptions of their organisation, into the implementation and, thus, may skew the planned outcome (Lipsky, 1971, 1980).

Both of these theories can explain the findings of the present investigation in relation to the implementation of the DIS in Russia. Firstly, the three degrees of separation between the DIA, in charge of the functioning of the DIS, and bank clerks, ultimately in charge of the provision of information about the DIS, construct the skewed reality in the mind of retail depositors. Bank clerks bring in not only their own (mis)understanding of the DIS,

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<sup>670</sup> Please see Chapter 6 for more details.



but also the (mis)understanding of their heads of branch, as well as the instructions for implementation devised by the management of the bank, which can also be flawed.

As evidenced from the findings, there are varying degrees of implementation of information dissemination between banks, which affects retail depositors' knowledge about the DIS, their levels of confidence in the banking system, and the likelihood that they will save. A connection could be drawn with the US provisions, discussed in Chapter 2. These establish a fine for non-compliance in relation to the information provision by banks.

The data substantiates the lack of uniformity and consistency in presenting information about the DIS to retail depositors, which creates uneven implementation of the DIS not only between the banks, but also between the branches of the same bank, and even between clerks within individual branches. For the successful implementation of the DIS, banks have to be monitored on a regular basis on the quality of the information provided to retail depositors, so as to ensure consistency in information provision, for lack of which a fine can be imposed.

#### **8.6.4 Past Attempts at Evaluating the Russian DIS**

There were two attempts at evaluating the Russian DIS commissioned by the DIA, one in 2007 and one in 2010. Whilst not all of the findings of the present investigation have a point of reference in the results of the 2007 and 2010 surveys, the following main findings can help establish comparisons or lack thereof.

Both surveys were designed to investigate the impact of the DIS on the public saving behaviour. They included multiple questions regarding the saving behaviour of the respondents, but had a rather limited focus on the DIS and its impact.

In terms of protection of depositors' rights and legal interests, the findings of the present investigation are largely in line with those of the 2010 survey. Both sets of data confirm that around half of the retail depositors are not well informed about the DIS in Russia. The present investigation, however, adds a further dimension to this, by posing a series of questions probing the knowledge of retail depositors on the subject, unlike the 2007 and 2010 surveys, thus offering possible explanations to the confirmed lack of awareness.

The 2010 survey confirms the finding of the present investigation that those with large amounts in the bank accounts know more about the DIS than those with smaller amounts and, thus, do not ask a lot of questions about the DIS.

In terms of the increase in public confidence in the banking system, the findings of the present investigation differ significantly from those in the 2007 and 2010 surveys.

Unlike these results, which show that public confidence in the banking system remained unchanged over time (46% in 2007 compared to 54% in 2010), the present investigation showed that just over half of all respondents felt *more* confident in the banking system as a whole since the introduction of the DIS in 2003. Whilst the latter may be explained by the quality of the sample, all being users of some banking products or services, these findings cannot be really compared to the ones of the 2007 and 2010 surveys, because of the differences in sampling techniques. Similarly, in terms of the increase in the saving behaviour among the population, the results of the present investigation contradict those of the 2007 and 2010 surveys.

The theoretical framework devised for the present investigation is much more rigorous and systematic than any of the past attempts at evaluating the Russian DIS. Hence, it is recommended that the DIA adopts this bespoke theoretical framework with its success criteria and impact indicators for future evaluations of the DIS in Russia. With modifications to accommodate the country-specific parameters of the DIS and regulatory and institutional environment, this theoretical framework can be used to evaluate a DIS in any country.

## **8.7 Summary**

Whilst the findings suggest that depositors felt more protected following the introduction of the DIS in 2003, these findings should be looked at in conjunction with the evidence of limited and, sometimes, confused knowledge about the DIS among both retail depositors and bank staff, and evidence of varying levels of information provision amongst the banks.

The findings of the present investigation also show that there was an evident increase in the level of public confidence in the banking system, however further evidence will be

required to confirm the exact impact of the DIS. Furthermore, the events in autumn 2008 confirmed that, in time of crisis, retail depositors are not confident in the banking system enough to keep their savings in the bank, despite the introduction of a higher deposit insurance coverage limit.

Whilst the saving behaviour of retail depositors has remained unchanged as a whole since 2004, the findings confirm that the amounts deposited into bank accounts increased following the changes in the coverage limit. However, further evidence will be required to identify the exact impact of the DIS on the changes in the saving behaviour of the population.

The present investigation provides a number of contributions in relation to the existing academic literature on (i) the consequences of co-insurance, (ii) competition as an objective of the DIS, (iii) public awareness about the DIS, (iv) deficiencies in information processing by the elderly, (v) standard form bank account contracts, and (vi) the implementation of the DIS reforms. Furthermore, this investigation calls for better impact evaluations of the DIS in Russia and elsewhere, for instance, by adopting the bespoke theoretical framework devised in the present research with modifications to accommodate country-specific parameters of the DIS and country-specific features of the regulatory and institutional environment.

## Chapter 9

### Conclusion

*“The only possible conclusion the social sciences can draw is: some do, some don’t.”*

*–Ernest Rutherford (1871-1937)*

This chapter provides an overview of the thesis, summarises the main findings and indicates areas of further research.

Having set out to evaluate the Russian DIS, this thesis looked into its objectives and the extent to which these have been achieved thus far.

The research purpose of this thesis was to evaluate the Russian DIS against its stated objectives, and to identify possible problems with its implementation. The research question posed for this investigation was *‘Has the Russian DIS achieved its stated objectives?’* The Russian DIS has three stated objectives, namely (i) to protect the rights and legal interests of depositors, (ii) to strengthen public confidence in the banking system, and (iii) to encourage household savings in the banking system.

Looking at the DIS as a public policy, different methodological approaches have been considered, with a mixed method, non-experimental approach being the most appropriate for this type of impact evaluation. Using a critical realist perspective, a theoretical framework was devised to guide the research design, data collection and data analysis.

Six banks in Saint-Petersburg (North-Western Federal District of Russia) were selected for data collection. The data collection methods included a retail depositor survey, a series of interviews with bank staff and representatives of the judiciary, in-branch observation, as well as the analysis of primary and secondary documents.

As part of the retail depositor survey conducted between March and May 2009, 942 questionnaires were collected and analysed using SPSS. 30 interviews and 17 in-branch observations were conducted in Saint-Petersburg in different branches of the six selected banks. These were supplemented by 2 interviews with representatives of the judiciary.

Quantitative data was analysed using statistical tests, including the Chi-squared and Kruskal-Wallis tests. Bespoke formulae were devised to help with the analysis.

Qualitative data was analysed using content analysis and document analysis techniques.

A more detailed summary of the thesis is presented in Section 9.1. Section 9.2 highlights the key findings and original contributions of the present research. This is followed by the limitations of this investigation, presented in Section 9.3, and suggestions for further research, presented in Section 9.4.

## **9.1 Summary of the Thesis**

The present investigation is placed within the wider academic literature on banking law and regulation and public policy evaluation, with specific foci on DI, consumer protection, programme implementation and impact evaluation. Chapter 2 discusses these areas of literature and presents an overview of current debates. It looks at the DIS as a governmental programme, and provides a historical account of DISs in different countries. Chapter 2 also identifies the typology of commonly recognised features of DIS design, including legal form, mandate and public policy objectives; membership; coverage and pay-out mechanism; and administration and funding.

Furthermore, Chapter 2 looks at depositor protection in financial markets and identifies the main issues in relation to depositor-bank relationship, namely information asymmetry, standard form contracts, and deficiencies in information processing.

Finally, it considers general theories of public policy implementation and evaluation, identifies possible challenges with the implementation of a governmental programme, and explains the different approaches to its evaluation. Theory suggests that matching the stated objectives of a public policy with its outcomes is best achieved through an objectives-based impact evaluation.

The present investigation was informed by these theoretical foundations and the findings, discussed in Chapter 8, have been related back to these theories.

Chapter 3 of this thesis, being a country-specific overview, introduced the Russian context within which the current investigation was carried out. The literature on the Russian DIS suggests that all attempts to establish such a scheme at federal level failed until 2003, when the current scheme was institutionalised. However, most of Russian literature on the DIS is of a doctrinal nature, and makes little reference to empirical data. All authors who have attempted to assess the effectiveness of the DIS have invariably used statistics from the DIA and CBR, rather than gathering their own data. Consequently, there has been no systematic evaluation of the Russian DIS, nor any impartial assessment of the extent to which its stated objectives have been achieved. The two known surveys from 2007 and 2010, commissioned by the DIA, though not complete and systematic, were used as a reference point against which the findings of the present investigation were compared.

To evaluate the Russian DIS, the present investigation adopts a cross-sectional, mixed method research design under a critical realist perspective. Chapter 4 presents a bespoke theoretical framework for impact evaluation of a DIS, which was devised to facilitate the analysis and interpretation of the data. Four methods of data collection were used in the present investigation, namely a retail depositor survey, semi-structured interviews with bank staff and representatives of the judiciary, in-branch observations, and primary and secondary documents related to the DIS.

The findings of the present investigation are presented in three chapters. Chapter 5 looks at the results of the quantitative data analysis using statistical tests, Chapter 6 describes the results of the qualitative data analysis using a content analysis technique, and Chapter 7 depicts the results of document and observational data analysis using a document analysis technique.

The results of the quantitative data analysis presented in Chapter 5 suggest that, on the whole, the DIS has been successful in meeting two of its stated objectives, Objectives 1 and 2. The majority of retail depositors appear to be more confident in the banking system, and the DIS put in place provides for more protection of retail depositors' rights

and legal interests. As for Objective 3, there is not enough evidence to confirm that this objective of the DIS has been met. The majority of retail depositors report no change in their saving behaviour since 2004, and there appears to be no direct link between the introduction of the DIS and the changes in the saving behaviour.

The same data analysed in disaggregate form, based on the bank as an independent variable, reveals a statistically significant difference in survey responses by retail depositors. Moreover, retail depositors appear to be confused in terms of their knowledge of the DIS, in particular with regard to its compulsory nature and the institution responsible for DI compensation. Retail depositors at some banks appear to be more knowledgeable about the DIS than in other banks.

The results of the qualitative data analysis presented in Chapter 6 show that knowledge of the Russian DIS amongst the bank staff is not uniform across the participating banks. Some clerks are confused over how the DIS works, including its compulsory nature. It appears there is no specific system in place to provide support to front office staff when it comes to questions about the DIS which are outside of their immediate knowledge. Moreover, in relation to retail depositors, the evidence suggests that the most frequently asked question by retail depositors is still *whether the bank is a member of the DIS*. This clearly indicates a lack of basic knowledge about the principles of the Russian DIS amongst retail depositors.

The amount and the content of information about the DIS provided by banks to retail depositors varies from bank to bank, and even from branch to branch within a single bank. Some clerks admitted to not providing any information about the DI compensation mechanism at all, whilst others stated that they would provide such information, but only if asked by retail depositors directly.

The results of the document and observational data analysis presented in Chapter 7 illustrate that, whilst there is a legal duty on the part of a bank to inform retail depositors of the DIS in Russia, there are substantial differences in the way banks present such information.

Recommendations by the DIA providing guidance to banks on the best ways to inform

depositors are undermined by the fact that these recommendations have no enforcement mechanism. As a result there are confusing messages about the DIS coming from some banks and no information about the DIS from others.

## **9.2 Contributions**

By adopting an impact evaluation approach to assessment of the DIS in Russia, this thesis makes an original contribution to legal policy making and implementation.

Being the first systematic impact evaluation of the Russian DIS, this research provides a number of original theoretical, empirical, analytical and methodological contributions.

### **9.2.1 Theoretical and Empirical Contributions**

In terms of theoretical and empirical contributions, this research adds to the current debate on DI, consumer protection, and programme implementation.

#### ***9.2.1.1 Contributions to the Literature on Deposit Insurance***

There are three main contributions in relation to academic literature on DI.

Firstly, the present thesis reaffirms the concerns of the critics of co-insurance. Whilst the moral hazard argument can be substantiated in theory, the use of co-insurance as part of a DIS should be selective, and dependent on levels of financial literacy of the population. Furthermore, the introduction of such a feature may undermine public confidence in the banking system.

Secondly, the present thesis suggests that, when one of the objectives of a DIS is the creation of a level playing field for small and large banks, consideration should be given to the organisation of a compensation mechanism. When it comes to the pay-out process and the use of bank-agents, either every bank should have the right to become a bank-agent, or the compensation should be carried out by the organisation or governmental body which runs the DIS directly. This would discourage the creation of preferential treatment of larger banks with a widespread network of regional offices and branches.



Thirdly, this thesis reaffirms the importance of public awareness campaigns carried out by the organisation or governmental body which runs the DIS, and by the banks participating in the DIS. Such campaigns have to be uniform and consistent so that retail depositors at any bank receive the same information in terms of the content and amount, which in turn can lead to a higher extent of achievement of the public policy objectives.

#### **9.2.1.2    *Contributions to the Literature on Consumer Protection***

There are two main contributions in relation to academic literature on consumer protection.

Firstly, as the elderly represent, and will continue to represent, one of the most common categories of saver in Russia, this thesis suggests that more effort should be put into devising information in a quantity and format suitable for the retired. Such information should be concise, visual and recognisable across different banks.

Secondly, whilst this thesis confirms that retail depositors tend not to read standard form contracts, the unification of the approach to the provision of information on the DIS in contracts of bank accounts may help increase the awareness of the DIS amongst retail depositors.

#### **9.2.1.3    *Contributions to the Literature on Public Policy Implementation***

There is one main contribution in relation to the academic literature on public policy implementation.

This thesis substantiates the lack of uniformity and consistency in presenting information about the DIS to retail depositors. This creates an uneven implementation of the DIS, not only between banks, but also between the branches of the same bank, and even between the clerks within individual branches. For the successful implementation of the DIS, banks have to be monitored on a regular basis on the quality of the information provided to retail depositors, so as to ensure consistency in the information provided. Moreover, this thesis suggests that the Recommendations issued by the DIA should be introduced

into the existing body of legislation on the Russian DIS, thus creating an enforcement mechanism to support uniform dissemination of information on the DIS across all banks in Russia.

### 9.2.2 Analytical and Methodological Contributions

In terms of analytical and methodological contributions, this research adds to the current practices of the evaluation of DISs and further develops the methodology of impact evaluation. There are three main contributions in this regard.

Firstly, this thesis calls for better impact evaluations of the DIS in Russia, and recommends that the DIA adopts the bespoke theoretical framework devised for the present investigation with its success criteria and impact indicators for future evaluations of the DIS in Russia. This theoretical framework is much more rigorous and systematic than any of the past attempts at evaluating the Russian DIS. This thesis also tests this theoretical framework through several data collection and data analysis techniques.

With modifications to accommodate country-specific parameters of the DIS and country-specific features of the regulatory and institutional environment, this theoretical framework can be used to evaluate a DIS in any country.

Secondly, by using a critical realist paradigm to guide the research process, and by viewing the DIS as a stratified three-level reality, this thesis contributes to the use of a mixed method approach with a multiplicity of data collected from a wider range of stakeholders. This thesis argues that this approach is better suited for impact evaluation of a DIS than any of the previous attempts at evaluating the Russian DIS.

Thirdly, to deepen the statistical analysis, two bespoke formulae were designed within this thesis to enhance the output from the Chi-squared test, thus making a contribution to statistical data analysis techniques. The application of these two formulae makes it possible to see whether there is an association between two categorical variables and which category of an independent variable performed better than the other another category. This, in turn, allows the researchers to rank the categories (similarly to the output of the Kuskal-Wallis test).

To conclude, the present thesis, using an evaluation of the Russian DIS as an example makes nine original contributions to existing knowledge about legal policy making and implementation, as well as methodologies used for impact evaluation of governmental programmes.

### **9.3 Limitations**

Every study has its limitations. The following limitations of a theoretical and methodological nature have been identified.

From a theoretical point of view, this research was positioned within three branches of literature related to DI, consumer protection and implementation and evaluation of public policy, and was based on the stated objectives of the Russian DIS. Whilst some authors have considered financial stability as an implied objective of the Russian DIS, the present investigation did not aim to assess the impact of the DIS on the financial stability of the Russian banking system. If financial stability were to be considered as part of the present thesis, different data could have been collected and analysed, and hence further points for discussion could have been identified.

From a methodological point of view, there are number of limitations. Whilst these limitations have been discussed at length in Chapter 4, it is important to stress the main limitations in this area.

The attempt at undertaking research into the Russian DIS under a critical realist paradigm at PhD level provided a snapshot of the implementation of the Federal Law and the establishment of the institutional and regulatory environment, and the perceptions of the multiple stakeholder of the success of this public policy at one point in time.

Therefore, the present investigation is more exploratory in its nature.

Furthermore, there are limitations in relation to the sample, location and timing of data collection. The choice of the extreme cases of six banks in Saint-Petersburg and their client base of retail depositors has influenced the results of the present investigation.

With regard to the timing and location of data collection, this research was devised as a cross-sectional investigation, with the data collected at one point in time, in one country and in one region of the country. The place of data collection might have had an impact

on the results, because of the prior history of the DI in Saint-Petersburg. Furthermore, considering the data was collected in spring 2009, just after the global financial crisis had had its deepest effect in Russia, in October 2008, the timing of data collection might also have impacted on the results of this research.

## 9.4 Further Research

This thesis, being the result of research at PhD level, is time-bound and resource-constrained. There are a number of potential avenues for further research that could be explored with the *data collected within the present investigation*.

Firstly, it is possible to test the retail depositor survey results against the age, gender, deposited amount and the location of the bank's branch to identify further inter-group differences (if any). This additional analysis may provide insights into the difference in confidence levels, saving behaviour and feelings of being protected as depositors across different age groups, genders and the range of deposited amounts. Furthermore, this additional analysis may deepen the understanding of inconsistencies in information provision by individual branches within each of the six participating banks.

Secondly, a thematic analysis of the qualitative data could be performed to provide a more nuanced interpretation of the data collected through interviews. This would help to attain much more in-depth understanding of bank staff perceptions and insights in relation to the objectives of the DIS.

To supplement the findings of the present investigation, *new data could be collected and analysed* to relate the findings of the present investigation to other banks in Russia, to banks in other post-communist states, and finally to the same sample at a different point in time.

To enhance the findings, research could be carried out across a larger number of banks in Russia. This would illustrate whether or not the regularities observed in the six banks in Saint-Petersburg are mirrored elsewhere in Russia.

Another option would be to embark on a longitudinal study and survey the retail depositors and interview staff at the same six banks at several points in time in the

future, including a different phase of the economy (e.g., growth phase). This would help to identify whether the retail depositors' and staff's knowledge about the DIS and the changes in the level of confidence in the banking system and in saving behaviour depend on the whether the phase of economy.

Finally, data could also be drawn from the post-communist states, including those currently in the EU. This would permit the determination of whether there are any cultural differences of DIS's perceptions amongst retail depositors in these countries. Moreover, since all EU Member States provide deposit protection to business depositors, such depositors could also be included in the sample for data collection. This could shed light on the peculiarities of information provision to business depositors, should Russia decide to extend the DI coverage to business depositors in the future.

From a theoretical perspective, future research could look at financial stability as an objective of the DIS, and the impact of the DIS on the regulatory and institutional environment of the Russian banking sector. However, this would require an adaptation of the theoretical framework, presented and tested in this study, by including a new set of success criteria and impact indicator.

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# **Appendix 1**

## **Russian Federal Law on the DIS<sup>671</sup>**

23 December 2003

#177-FZ

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### **THE RUSSIAN FEDERATION**

#### **FEDERAL LAW**

#### **ON INSURANCE OF DEPOSITS OF HOUSEHOLDS IN BANKS OF THE RUSSIAN FEDERATION**

Adopted by  
the State Duma  
on 28 November 2003

Approved by  
the Federation Council  
on 10 December 2003

(including Federal Laws incorporating amendments  
dated 20.08.2004 #106-FZ, dated 29.12.2004 #197-FZ,  
dated 20.10.2005 #132-FZ, dated 27.07.2006 #150-FZ,  
dated 13.03.2007 #34-FZ, dated 13.10.2008 #174-FZ,  
dated 22.12.2008 # 270-FZ)<sup>672</sup>

This Federal Law sets forth legal, financial and organizational basis for operations of a mandatory deposit insurance system for deposits of households in banks of the Russian Federation (hereinafter – deposit insurance system or DIS), competences, procedures of establishment and functioning of an organization authorized to fulfil the functions of mandatory deposit insurance (Deposit Insurance Agency, hereinafter referred to also as the Agency), as well as rules regulating payouts to insured depositors. This law regulates relationship between banks of the Russian Federation, the Agency, the Central Bank of the Russian Federation (the Bank of Russia) and executive bodies of the Russian Federation in the area of mandatory households' deposit insurance.

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<sup>671</sup> Translated to English by the DIA, available at [http://asv.org.ru/en/legislation/law\\_1/](http://asv.org.ru/en/legislation/law_1/) (last accessed on 04 December 2011). Formatting added, spelling, grammar and punctuation are as in the original.

<sup>672</sup> There have been several further amendments to this Federal Law since 2008, which are not included in this English version.

## **Chapter I. GENERAL PROVISIONS**

### **Article 1. Purposes of this Federal Law and Relations Regulated by it**

1. The purposes of this Federal Law are to protect rights and legitimate interests of household depositors with banks of the Russian Federation, to strengthen public confidence in the banking system of the Russian Federation and to encourage acceptance of households' savings to the banking system of the Russian Federation.

2. This Federal Law regulates relations arising in connection with establishment and functioning of the mandatory deposit insurance system for households' deposits, formation and use of its pecuniary fund, payouts to insured depositors upon occurrence of an insured event, as well as relations arising in connection with control by the state over the deposit insurance system operations and any other relations arising thereof.

3. This Federal Law shall not apply to other methods of insurance of households' deposits for securing their repayment and payment of interest on them.

4. In accordance with the purposes of this Federal Law, legal status specifics shall be set forth for the DIS participants, as well as material conditions of the mandatory insurance of deposits of households, insured event occurrence, payment of insurance premiums and reimbursement of insured depositors.

5. Relations arising in connection with the establishment and functioning of the deposit insurance system shall be governed by this Federal Law, and other Federal Laws, and in cases envisaged by this Federal Law by regulations issued by the Russian Federation Government and the Bank of Russia in accordance with thereof.

### **Article 2. Basic Definitions Used in This Federal Law**

For the purposes of this Federal Law, the following basic definitions are used:

1) bank – a credit institution licensed by the Bank of Russia to accept deposits from households and open and operate bank accounts in accordance with the procedure set forth in the Federal Law «On Banks and Banking» (version dated 3 February 1996 #17-FZ) (hereinafter – the Federal Law «On Banks and Banking»);

2) deposit – cash resources denominated in the currency of the Russian Federation or foreign currency placed by individuals or to their benefit in a bank on the territory of the Russian Federation in accordance with a deposit or an account agreement, including capitalized (accrued) interest on the deposit amount;

3) register of banks - list of banks compiled in accordance with this Federal Law that includes banks registered as members of the deposit insurance system;

4) depositor – a citizen of the Russian Federation, a foreign citizen or an individual without citizenship that concluded a bank account or a deposit agreement, or any individual in whose favor a deposit is made;

5) deposit reimbursement (deposit insurance payout) – an amount of money to be repaid to a depositor in accordance with this Federal Law when an insured event occurs;

6) the Bank of Russia's authorization – a license to accept individuals' cash resources into deposits and open and operate individuals' bank accounts granted by the Bank of Russia in accordance with the procedure set forth in the Federal Law «On Banks and Banking»;

7) deficit of the mandatory deposit insurance fund – shortage of funds in the

mandatory deposit insurance fund to reimburse insured depositors within the time limit set forth by this Federal Law;

8) counterclaim – a debt owed to a bank by its depositor resulting from civil law relations (transactions) and/or from other arrangements envisaged by the legislation of the Russian Federation that make the depositor a debtor of the bank.

### Article 3. Basic Principles of the Deposit Insurance System

The following shall be the basic principles of the deposit insurance system:

- 1) mandatory membership of banks in the deposit insurance system;
- 2) mitigation of risks of occurrence of unfavorable consequences for depositors in case banks fail to meet their obligations;
- 3) transparency of the deposit insurance system operations;
- 4) cumulative nature of formation of the deposit insurance fund at the expense of regular insurance premiums from the DIS member banks.

### Article 4. Participants of the Deposit Insurance System

The following parties shall be the participants of the deposit insurance system:

- 1) depositors that are recognized «the beneficiaries» for the purposes of this Federal Law;
- 2) banks that are included into the register of banks in accordance with established rules and procedure and considered «the insured» for the purposes of this Federal Law;
- 3) the Agency that is considered «the insurer» for the purposes of this Federal Law;
- 4) the Bank of Russia when fulfilling functions arising from this Federal Law.

### Article 5. Deposits that are Insured In Accordance with This Federal Law

1. In accordance with this Federal Law, deposits are covered by the insurance in amounts, on conditions and according to the procedure set forth in Chapter 2 of this Federal Law, except the funds mentioned in part 2 of this article.

2. Under this Federal Law, the following types of funds shall not be covered by the insurance:

- 1) placed on bank accounts (deposits) of non-incorporated individuals engaged in entrepreneurial activities, if such accounts (deposits) have been opened for conducting legitimate entrepreneurial activities as well as those placed on bank accounts (deposits) of attorneys, notaries and other persons, if such accounts (deposits) have been opened for conducting professional activities as specified by Federal Law;
- 2) placed by individuals in bearer's bank deposits, including those certified by a bearer's savings certificate and/or savings book;
- 3) placed by individuals in trust with banks;
- 4) placed in bank deposits with branches of Russian banks outside the territory of the Russian Federation.

3. Insurance of deposits shall be conducted in accordance with this Federal Law without concluding a special insurance agreement.

### Article 6. Membership of Banks in the Deposit Insurance System

1. Under this Federal Law participation of banks in the deposit insurance system

shall be mandatory for all banks.

2. A bank shall be considered a member of the deposit insurance system as of its registration date until the date of its removal from the register of banks as prescribed in Article 28 of this Federal Law.

3. Banks shall be obligated:

- 1) to pay insurance premiums to the mandatory deposit insurance fund;
- 2) to disclose information to depositors on their membership in the deposit insurance system, and on the procedure and the amount of deposit insurance coverage;
- 3) to place information about the deposit insurance system in premises of a bank where depositors have a free access and are serviced;
- 4) to keep records of a bank's liabilities to depositors and the bank's counterclaims against depositors enabling the bank to prepare on insured event occurrence as well as at any other day upon the Bank of Russia request (within seven calendar days upon delivery to the bank of the request) a register of liabilities to depositors in accordance with rules and in form set out by the Bank of Russia upon the Agency's proposal;
- 5) To fulfill other duties as set forth by this Federal Law.

## **Chapter II. PROCEDURE AND TERMS OF REIMBURSEMENT OF INSURED DEPOSITORS**

### **Article 7. Depositors' Rights**

1. Depositors have the following rights:

- 1) to receive reimbursement of their deposits in accordance with rules set forth by this Federal Law;
- 2) to inform the Agency about delays in settling by a bank of its liabilities due to depositors;
- 3) to receive information from a bank with which they place a deposit, as well as from the Agency about this bank's membership in the deposit insurance system.

2. A depositor who has received reimbursement of his/her deposits placed with a bank in which the insured event occurred, preserves the right to claim from the bank an amount that is determined as a difference between amount of his/her claim to the bank and amount paid to him/her as reimbursement of deposits with this bank. Reimbursement of such claims shall be carried out in accordance with civil legislation of the Russian Federation.

3. In case of executing bank deposit (bank account) agreement for the benefit of a third person an individual who is the beneficiary of this deposit (bank account) should gain the rights of a depositor established by this Federal Law.

### **Article 8. Insured Event**

1. For the purposes of this Federal Law one of the following circumstances shall be considered as the insured event:

- 1) revocation (annulment) of a bank's license to conduct banking business granted by the Bank of Russia (hereinafter referred to as the license of the Bank of Russia) in accordance with the Federal Law «On Banks and Banking»;
- 2) imposition of a moratorium by the Bank of Russia on settling claims of a bank's

creditors in accordance with legislation of the Russian Federation.

2. Insured event shall be deemed to arise as of the date of revocation (annulment) by the Bank of Russia of a bank's license or imposition of a moratorium on settlement of claims of the bank's creditors.

#### Article 9. Emergence of a Depositor's Right for Reimbursement of Deposits

1. The right of a depositor for reimbursement of his/her deposits emerges as of the insured event date.

2. An individual who acquired from a depositor claims based on deposit (deposits) after occurrence of an insured event shall not be entitled for compensation on such deposit (deposits) except an individual who acquired by inheritance the right of claim arising from a deposit which has not been reimbursed (hereinafter referred to as inheritor). The inheritor can use the rights of a decedent depositor that are established by this Federal Law starting from the moment when the inheritor receives the relevant certificate of his right to inheritance or other document confirming his right to inheritance or the right to use money of the decedent.

3. In case rights of claim arising from a deposit (deposits) of a depositor after the insured event occurrence are transferred to several inheritors, each of them obtains the right for a part of non paid to the insurance compensation that is proportionate to the size of his/her acquired right of claim to this deposit (deposits). In this case insurance compensation paid to an inheritor in connection with this deposit (deposits) does not depend on insurance compensation paid or due to this inheritor in connection with other deposits.

#### Article 10. Procedure to Apply for Reimbursement of Deposits

1. A depositor (his/her representative or inheritor (inheritor's representative)) shall be entitled to request the Agency to reimburse his/her insured deposits starting the day of insured event occurrence through the date of completion of bankruptcy proceedings. If the Bank of Russia imposed a moratorium on settling creditors' claims – through the date of the moratorium termination.

2. If a depositor (his inheritor) missed timing for filing a claim for reimbursement stipulated in part 1 of this article, such period can be restored upon request of the depositor (his inheritor) by the Agency's management board under one of the following circumstances:

- 1) If force majeure event precluded filing a claim for deposit insurance;
- 2) If the depositor (inheritor) was (is) conscripted into military service or was (is) in the ranks of the Armed Forces of the Russian Federation (other troops, military units and bodies) put under the conditions of martial law – for the period of doing such service (of martial law);
- 3) if the term for filing a claim for deposit insurance was missed as a result of serious illness of the depositor (his inheritor), helpless condition of the depositor (his inheritor), timing of obtaining inheritance rights by an inheritor as well as other reasons that are connected with the depositor's (his inheritor's) personality.

3. The Agency's management board decision not to restore the missed timing for filing a claim for deposit insurance can be appealed by depositor (his inheritor) in courts.

4. When filing a claim for deposit insurance to the Agency, a depositor (inheritor) shall submit the following documents:

1) an application filled out according to Agency format;  
2) the depositor identity documents or, in case when the inheritor files a claim, also documents that confirm his right to inheritance or to use money of the testator.

5. If a depositor (inheritor) files a claim through a trustee, a notarized power of attorney shall be submitted in addition to the documents indicated in point 1 and 2 of part 4 of this article.

#### Article 11. Amount of Insurance Coverage

1. Amount of insurance coverage for every depositor is calculated based on the aggregate amount of liabilities to a depositor of a bank in which the insured event occurred. When calculating the aggregate amount of liabilities to a depositor, only deposits insured in accordance with article 5 of this Federal Law are taken into account.

2. Depositors shall get a 100% reimbursement of their aggregate deposits in a bank in which the insured occurred but not more than 700,000 rubles.

3. If a depositor has several deposits in one bank with aggregate liabilities thereof in excess of 700,000 rubles the deposit insurance reimbursement shall be effected with regard to each deposit on a pro rata basis.

4. If the insured events occurred in several banks where a depositor has deposits, the amount of insurance coverage shall be calculated in relation to each such bank separately.

5. An amount of deposit insurance due to a depositor is calculated based on account balances at a bank as at the end of the business day when the insured event occurred.

6. If liability to a depositor of a bank's in which the insured event occurred is denominated in foreign currency, the amount of deposit insurance due to the depositor shall be calculated in the Russian Federation currency at the exchange rate set by the Bank of Russia as at the date of insured event.

7. If a bank in which an insured event occurred was also a creditor of an insured depositor, the amount of deposit insurance due to the depositor shall be determined based on the difference between the aggregate liabilities of the bank to this depositor and the bank's counter claims to the depositor that emerged before the insured event.

#### Article 12. Deposit Insurance Payout Procedure

1. The Agency shall, within seven days from receipt of a register of liabilities from a bank in which the insured event occurred, forward to this bank as well as to «The Bank of Russia Bulletin» for publication, information specifying location, time, format and procedure for claiming deposit insurance. Within a month from receipt of a register a bank's liabilities to depositors, the Agency shall send respective information to depositors of the bank in which the insured event occurred.

2. A depositor shall be entitled to receive information mentioned in part 1 of this article directly at the Agency, as well as at the bank in which the insured event occurred.

3. Upon submission by a depositor (his representative) to the Agency of documents listed in parts 4 and 5 of article 10 of this Federal Law, the Agency shall provide to depositor an abstract from the bank's register of liabilities to depositors indicating an



amount due to the depositor.

4. Deposit reimbursement shall be effected by the Agency in accordance with the register liabilities to depositors formed by a bank in which the insured event occurred, within 3 business days from the day of submission by a depositor of respective documents listed in parts 4 and 5 of article 10 of this Federal Law, but no sooner than 14 days after the insured event date.

5. When effecting deposit reimbursement the Agency shall provide reference information to a depositor on amounts paid out and deposits that were reimbursed and sends a copy of this information to the bank.

6. If the Agency failed to reimburse an agreed amount within the time frame set forth in this article, the Agency shall be obligated to pay interest to the depositor calculated based on the Bank of Russia's refinancing rate as at the date of actual reimbursement.

7. If a depositor does not agree with the amount due to him/her, the Agency shall request that depositor to submit additional documents to justify the validity of his/her claims and send them to the bank for review. Within 10 days from receipt of the above documents the bank shall be obligated to consider them and, if the depositor's claims were recognized valid, make relevant amendments to the register of the bank's liabilities to depositors and send information to the Agency on the results of claims review and, if needed, on changes in the register of the bank's liabilities to depositors.

8. Upon agreement with the bank and the depositor on the bank's liabilities amount based on the additionally submitted documents, the Agency shall reimburse the agreed amount according to the established procedure.

9. If a depositor missed the timing for filing a claim for deposit reimbursement that was restored in accordance with parts 2 and 3 of article 10 of this Federal Law, the depositor shall be entitled for deposit reimbursement in the amount of aggregate liabilities to him as stated in the bank's register of liabilities to depositors.

10. If a depositor disagrees with the reimbursement amount due to him/her, the depositor shall be entitled to apply to the court in accordance with legislation of the Russian Federation.

11. Deposit reimbursement can be effected upon a depositor's request either in cash or by transfer of funds to the bank account specified by a depositor.

12. Acceptance of claims for reimbursement along with other documents including those listed in parts 4 and 5 of article 10 of this Federal Law and part 7 of this article, can be done by Agency through authorized agent banks acting in the Agency's name, on its behalf and at its expense. The procedure for interaction between agent banks and the Agency, including compensation of agent banks' incurred costs, shall be set by the Agency's Board of Directors. A procedure for selection of agent banks on competitive basis shall be established by the Agency's Board of Directors upon agreement with the federal anti-monopoly body.

13. Deposit reimbursement shall be effected in the Russian Federation currency.

#### Article 13. Subrogation of Claim after Deposit Reimbursement

1. The Agency, that reimbursed insured depositors, shall subrogate the depositor's claims against the bank in which the insured event occurred, up to the amount actually reimbursed.

2. In the course of bankruptcy (liquidation) proceedings the claims acquired by the Agency as a result of reimbursement of insured depositors, shall be treated as claims of first priority creditors.

3. In bankruptcy (forced liquidation) actions and proceedings claims to the bank, acquired by the Agency as a result of its reimbursement of insured depositors, shall be presented by a federal agency, authorized by the Government of Russia (hereinafter – the authorized agency).

4. After the Agency reimburses insured depositors, the authorized agency shall take steps to recover from the bank its debt to the Agency acquired by the Agency as a result of reimbursement of insured depositors pursuant to parts 1 and 2 of this article, according to procedures, set forth by the legislation of the Russian Federation. The recovered funds shall be credited to the mandatory deposit insurance fund.

5. Upon expiration of the term of a moratorium on settlement of creditors' claims, established by the Bank of Russia, the Agency may give the bank, whose depositors it has reimbursed a deferment for repayment of its debt or for its payment by installments.

6. The repayment may be deferred for the period up to six months for the repayment to be made in a lump sum.

7. There can be provided for payment by installments for a period up to a year.

8. The debt shall accrue interest at the rate, which equals half the refinancing rate of the Bank of Russia, effective during the period of deferment or payments in installments.

### **Chapter III. LEGAL STATUS, PURPOSE OF ACTIVITIES AND AUTHORITY OF THE DEPOSIT INSURANCE AGENCY**

#### **Article 14. The Deposit Insurance Agency**

1. The Deposit insurance agency shall be established with the purpose to fulfill functions of the mandatory deposit insurance.

2. The Agency shall be the State Corporation established by the Russian Federation. The legal status, purposes of activities, functions and authority of the newly established agency shall be set forth in this Federal Law, the Federal Law # 7-FZ «On Non-commercial Organizations» dated January 12, 1996, the Federal Law «On Banks and Banking», the Federal Law # 40-FZ «On Insolvency (Bankruptcy) of Credit Institutions» dated February 25, 1999 (hereinafter referred to as the Federal Law «On Insolvency (Bankruptcy) of Credit Institutions»).

3. The Agency shall have its seal with the Russian Federation State Emblem and its name.

4. The Agency shall have an account with the Bank of Russia.

5. Location of the Agency's headquarters shall be the city of Moscow.

#### **Article 15. The Agency's Purpose of Activities and Authority**

1. The purpose of the Agency activities in accordance with this Federal Law shall be to ensure operations of the mandatory deposit insurance system.

2. When executing the mandatory deposit insurance functions, the Agency shall:

1) keep the register of member banks;

- 2) collect insurance premiums from banks and monitor their timely and full receipt by the deposit insurance fund;
- 3) take measures to record depositors' claims and reimburse insured depositors;
- 4) request the Bank of Russia to impose sanctions against banks that violate provisions of this Federal Law as set forth in article 74 of the Federal Law «On the Central Bank of the Russian Federation (The Bank of Russia)» and in the Bank of Russia regulations;
- 5) place and (or) invest temporarily idle funds of the deposit insurance fund in accordance with the procedure set forth in this Federal Law;
- 6) require that banks place information on the deposit insurance system and bank membership in it in premises where banks provide services to depositors;
- 7) determine the procedure for insurance premium calculation in accordance with article 36 of this Federal Law;
- 8) exercise other powers aimed at accomplishing goals and objectives set forth for the Agency by this Federal Law.

3. Fulfillment by the Agency of the mandatory deposit insurance functions in accordance with this Federal Law shall not require the Agency to obtain a license to conduct insurance business.

4. The Agency in accordance with the Federal Law «On Banks and Banking» and the Federal Law «On Insolvency (Bankruptcy) of Credit Institutions» fulfills functions of a bankruptcy trustee (liquidator) in bankruptcy proceedings in credit institutions.

5. The Agency is authorized to make transactions relating to realization of property (collateral) that is pledged as security against liabilities of credit institutions arising from the Bank of Russia loans to them.

#### Article 16. Property of the Agency

1. The property of the Agency shall be formed at the expense of initial property contribution made in accordance with article 50 of this Federal Law, insurance premiums, as well as income derived by the Agency from investments, issuance of securities and other legitimate earnings.

2. The Agency shall not be liable for obligations of the Russian Federation. The Russian Federation shall not be liable for the Agency's obligations, unless otherwise is prescribed in Federal Laws.

3. The Agency shall use its property to fulfill functions set forth in this Federal Law, the Federal Law «On Banks and Banking» and the Federal Law «On Insolvency (Bankruptcy) of Credit Institutions».

#### Article 17. Governing Bodies of the Agency

The Board of Directors, the Board of Managements and General Director shall be governing bodies of the Agency.

#### Article 18. The Board of Directors of the Agency

1. The Board of Directors shall be highest governing body of the Agency. It shall be comprised of 13 members: seven representatives of the Russian Federation

Government, five representatives of the Bank of Russia, and the Agency's General Director. The General Director shall be an ex officio member of the Agency's Board of Directors.

2. Chairman of the Board of Directors shall be elected by the Board of Directors upon proposal of the Russian Federation Government.

3. Meetings of the Board of Directors shall be called by its Chairman or by no less than one third of its members, as needed, but no less frequent than once every quarter.

4. The Board of Directors is authorised to make decisions if no less than half of its members are present. Decisions shall be made by simple majority. If equal votes, the Chairman's vote shall be decisive.

5. The Chairman shall conduct meeting of the Agency's Board of Directors, and in his absence a person authorized by him shall do this.

6. The chairman of the meeting shall sign minutes of the Agency's Board of Directors meeting. Minority opinion shall be included in the minutes upon request.

#### Article 19. Authority of the Board of Directors

The Agency's Board of Directors shall:

1) approve the Agency's Board of Management's proposals on projected amount of federal budget expense that may incur in connection with the deficit of the mandatory deposit insurance fund's resources and submit them to the Government of the Russian Federation for incorporating in the draft federal budget law for the forthcoming year;

2) set the insurance premium rate;

3) determine types, conditions and procedure for placement and/or investment of temporarily idle funds of the Agency, as well as upper limits for such placements/investments;

4) make a decision on existence of a deficit of the mandatory deposit insurance fund and submit proposals to the government on forms and terms of covering the deficit in case of insured event occurrence no later than within 5 days from receipt of notification from the Agency's Board of Management;

5) make decisions of Decide on remittance of budget funds received from the federal budget in accordance with this Federal Law upon restoration of financial sustainability of the deposit insurance fund;

6) approve a procedure for calculating insurance premiums;

7) approve the Agency's annual report;

8) approve a procedure for deferment and repayment in installments for banks in cases set forth in this Federal Law;

9) approve the Agency's estimate of expenses and rules for allocation of the Agency's profit;

10) approve the Agency's organizational structure;

11) make decisions on establishing branches and representative offices of the Agency;

12) appoint and dismiss the Agency's General Director;

13) appoint and dismiss members of the Agency's Board of Management;

14) appoint an auditor of the Agency;

15) consider the General Director's reports on operations of the Agency;

16) approve terms of reference of the Board of Management;

- 17) govern operation of the Agency's Internal audit department;
- 17<sup>1</sup>) establish rules for the bidding process for selection of audit firms for auditing the use by the Agency of the mandatory deposit insurance fund resources.
- 18) make decisions on issuance by the Agency of bonds and other securities;
- 19) execute other powers set forth in this Federal Law, the Federal Law «On Banks and Banking» and the Federal Law «On Insolvency (Bankruptcy) of Credit Institutions».

#### Article 20. The Board of Management of the Agency

1. The Board of Directors shall determine the size of the Agency's Board of Management. The General Director of the Agency shall be a member of the Board of Management and run its operation.

2. Members of the Board of Management, except its General Director, shall be appointed by the Board of Directors for a five year period upon proposal of the General Director.

3. Members of the Board of Management shall be full time employees of the Agency.

4. Members of the Board of Management may be dismissed from their positions in the following cases:

- 1) upon expiration of their five year term in office – by the General Director;
- 2) before expiration of the term set by this article – by the Board of Directors of the Agency on proposal by the General Director.

5. The Board of Management of the Agency shall act on the basis of the terms of reference approved by the Board of Directors. These terms of reference shall set out frequency and procedure for calling the Board of Management's meetings and decision making.

6. During the Board meetings minutes of the meeting should be recorded. The minutes shall be submitted to the Agency Board of Directors' members, as well as to the internal and external auditors at their request.

7. Meetings of the Board of Management of the Agency shall be arranged by the General Director or a person authorized by him. Minutes of a meeting shall be signed by chairman of the meeting and one of members of the Board of Management present at the meeting.

#### Article 21. Authority of the Board of Management of the Agency

When exercising mandatory deposit insurance functions, the Board of Management of the Agency shall:

- 1) make decisions on reimbursement of depositors;
- 2) make decisions on inclusion of banks into the register of DIS member banks and exclusion of banks from the register in accordance with procedure set forth in this Federal Law;
- 3) propose to the Bank of Russia to impose liability measures against banks in accordance with article 74 of the Federal Law «On the Central Bank of the Russian Federation (The Bank of Russia)»;
- 4) submit proposals for approval by the Board of Directors of the Agency on the

development of the deposit insurance system, as well as on types, conditions and procedure for placement and/or investment of temporarily idle funds of the mandatory deposit insurance fund;

5) submit proposals for approval by the Board of Directors of the Agency on the size of the mandatory deposit insurance fund which is deemed sufficient for predicted deposit reimbursements during a forthcoming year, and on projected amount of borrowings from the federal budget needed to cover the mandatory deposit insurance fund's deficit during a forthcoming year;

6) notify the Board of Directors of the Agency about the mandatory deposit insurance fund's deficit based on information derived from registers of liabilities to depositors formed in accordance with point 4 of part 3 of article 6 of this Federal Law, within no later than 3 days from receipt of a register of liabilities to depositors from a bank in accordance with part 1 of article 30 of this Federal Law;

7) consider the Agency's annual report and submit it for approval to its Board of Directors;

8) submit proposals to the Board of Directors of the Agency on allocation of the agency's profit;

9) approve the Agency's staff schedule, determine terms of personnel hiring and firing, office duties and rights, the system of disciplinary measures, forms and amounts of compensation for the Agency's employees;

10) Execute other powers set forth in this Federal Law, the Federal Law «On Banks and Banking» and the Federal Law «On Insolvency (Bankruptcy) of Credit Institutions» that is not within competence of the Board of Directors of the Agency.

## Article 22. The General Director of the Agency

1. The Board of Directors shall appoint the General Director upon proposal of its Chairman for the term of five years. A nominee for the position of the General Director shall be presented to the Board one month prior to the expiration of the General Director's authority.

2. The General Director can be dismissed from his position by the Board of Directors upon submission of its Chairman in the following cases:

- 1) expiration of his authority;
- 2) his personal resignation request submitted to the Board of Directors' Chairman;
- 3) criminal offence acknowledged by the court sentence in legal force;
- 4) violation of Federal Laws that govern relations connected with the Agency's activities.

## Article 23. Authority of the General Director

The General Director shall:

- 1) act on behalf of the Agency and represent its interests without any power of attorney in relationships with state bodies, foreign entities and international organizations, as well as other institutions;
- 2) head the Board of Management of the Agency and arrange for implementation of its decisions;
- 3) issue orders and regulations related to the Agency activities;

- 4) distribute duties and responsibilities between his deputies;
- 5) appoint and dismiss employees of the Agency;
- 6) make decisions on other issues referred to the competence of the Agency, except those referred to the competence of the Board of Directors and the Board of Management.

#### Article 24. Accountability and reporting of the Agency

1. The reporting period for the Agency shall be set from January 1 to December 31 inclusive.

2. The annual report shall be prepared on annual basis no later than by February 15 of the year following the reported one. The Agency's Board of Directors shall approve the annual report by March 15.

3. The Agency's annual report shall be submitted to the Government of the Russian Federation and the Bank of Russia.

4. Summarized data of the Agency's annual report and balance sheet shall be published in the «The Bank of Russia Bulletin» and «Rossiyskaya Gazeta».

5. The Agency's annual report shall include:

- 1) report of the Agency operations for the passed reported period with the analysis of the DIS condition and use of the mandatory deposit insurance fund's resources;
- 2) annual balance sheet of the Agency;
- 3) cash flow statement of the mandatory deposit insurance fund;
- 4) report on income (loss) gained from placement and/or investment of temporary idle funds of the Agency;
- 5) the register of member banks.

6. The Agency's balance sheet, cash flow statement of the mandatory deposit insurance fund and report on income (loss) gained from placement and/or investment of temporary idle funds of the Agency shall be certified by an independent audit company.

#### Article 25. Audit of the Agency

1. The Board of Directors of the Agency shall annually select an audit company to review financial statements of the Agency.

2. The Agency's internal audit shall be carried out by its Internal Audit Department accountable to the Board of Directors of the Agency. Procedure for establishment and operations of the Internal Audit Department shall be set by the Board of Directors of the Agency.

3. The Board of Directors of the Agency shall be entitled to make decisions on conducting extraordinary audits of the Agency.

#### Article 26. Reorganization and Liquidation of the Agency

The Agency can be re-organized or liquidated in accordance with a Federal Law prescribing re-organization or liquidation procedure and use of the Agency's property.

### **Chapter IV. ORGANIZATIONAL ASPECTS OF THE DEPOSIT INSURANCE SYSTEM**

## Article 27. Interaction between the Agency and the Bank of Russia

1. Federal executive bodies, as well as regional entities of the Russian Federation, municipal governments and the Bank of Russia shall not be entitled to interfere with the Agency operations aimed at implementing its legally set functions and authority.

2. The Agency and the Bank of Russia shall coordinate their activities and inform each other on issues related to execution of deposit insurance actions.

3. With the purpose to ensure informational support of DIS operations, the Bank of Russia shall send to the Agency banks' statements and other information.

4. The Bank of Russia no later than on a business day following the respective decision date shall inform the Agency about:

- 1) granting by the Bank of Russia of an authorisation to a bank;
- 2) making a decision to conduct inspection of a bank based on the Agency's proposal;
- 3) appointment of a provisional administration to manage a bank's affairs;
- 4) revocation (annulment) of the a bank's license by the Bank of Russia;
- 5) imposing a moratorium on meeting creditors' claims.
- 6) substitution of a bank's license by the Bank of Russia;
- 7) imposing a ban on accepting household deposits and opening bank accounts for individuals as set forth in article 48 of this Federal Law;

4<sup>1</sup>. Not later than within seven business days after the Bank of Russia made a relevant decision or received relevant information from its regional branch or an authorized body the Bank of Russia shall inform the Agency:

- 1) on invalidation of the bank's license to accept household deposits and open bank accounts for individuals;
- 2) on measures taken by the Bank of Russia against the bank which impose a ban (limitation) on accepting household deposits and opening bank accounts for individuals in accordance with article 74 of the Federal Law «On the Central bank of the Russian Federation (the Bank of Russia)»;
- 3) on reorganization of the bank.

5. The Agency no later than on a business day following the respective decision date shall inform the Bank of Russia about the following:

- 1) inclusion of a bank in the register of member banks in accordance with this Federal Law, as well as exclusion of a bank from the register;
- 2) changes in the insurance premium rates.

6. The Agency shall be entitled to submit proposals to the Bank of Russia about the following:

1) conducting an inspection of a bank by the Bank of Russia. The procedure of the Agency's employees participation in the above inspections, their rights and duties shall be set by regulations of the Bank of Russia upon agreement with the Agency;

2) imposing by the Bank of Russia of liability measures against a bank as set forth in Federal Laws. The Agency shall enclose documents containing justifications and grounds for imposing the above measures.

7. The Bank of Russia shall inform the Agency about its decision to conduct inspection and impose liability measures against the bank within 15 days from receipt of respective Agency proposal.



Article 28. Procedure for Registering and Terminating Registration in the Deposit Insurance System. The Register of member Banks.

1. Registration of a bank in the DIS shall be done by the Agency by making respective record in the register of member banks on the basis of the Bank of Russia's notification about licensing this bank

2. The Agency shall make a respective record into the register of member banks on the date of receipt of the Bank of Russia's notice as stated in part 1 of this article.

3. The Agency shall terminate registration of a bank in the following cases:

1) revocation (annulment) of a banking license by the Bank of Russia and completion by the Agency of deposit reimbursement as set forth in this Federal Law;

2) upon termination of the bank's right to accept household deposits and open bank accounts for individuals in connection with substitution of the bank's license by the Bank of Russia or invalidation by the Bank of Russia in accordance with its regulation of the bank's license to accept household deposits and open bank accounts for individuals and fulfillment by the bank of its obligations to depositors. Simultaneously the bank shall be obligated to notify all depositors about its exit from the deposit insurance system;

3) termination of a bank's operations resulting from its re-organization (excluding reorganization in the form of transformation).

4. Information about registration and termination of a banks' registration shall be published by the Agency in the «The Bank of Russia Bulletin» and «Rossiyskaya Gazeta». The procedure for keeping the register of member banks shall be set by the Agency.

5. The Agency shall send information to a bank about its registration in the register of member banks or termination of registration, as well as insurance premium calculation and payment procedure no later than one day after the Agency made respective decision. The Agency shall regularly forward to banks needed information about the deposit insurance system.

6. Registration, inclusion and exclusion of banks from the register of member banks shall be free of charge.

Article 29. Receiving by the Agency of Banks' Reports and Other Information

1. Contents of reports and other information to be forwarded to the Agency by the Bank of Russia, as well as timing for sending this information shall be set by the Bank of Russia upon agreement with the Agency.

2. On issues related to banks' membership in the deposit insurance system, the Agency shall be entitled to request clarifications from banks related to information on payment of insurance premiums, accounting, formation of the register of liabilities to depositors, obligations of depositors to the bank, as well as executing by banks of other obligations set forth in this Federal Law. Above clarifications shall be submitted by banks to the Agency within 15 days from receipt of respective Agency's request, unless the Agency requested different timing.

Article 30. Interaction between the Agency and a Bank in which the Insured Event Occurred

1. A bank in which the insured event occurred within 7 days from the insured event

date shall submit to the Agency the register of the bank's liabilities to depositors in confirmation of accepting household deposits insured in accordance with this Federal Law.

2. After the day of receipt by the Agency of a bank's register of liabilities to depositors and up to the day of an arbitration court decision on completion of the bankruptcy proceedings or forced liquidation of the credit institution, and in case of moratorium imposed by the Bank of Russia on meeting the bank creditors' claims up to the day of completion of the moratorium, the bank is obliged to make changes to the register of liabilities to depositors in following cases:

1) identification of mismatch between data in the register and actual mutual obligations of the bank and a depositor as at the date of insured event subject to reflection in the bank's register of liabilities to depositors;

2) termination (in full or in part), after the insured event occurrence, of liabilities included in the bank's register of liabilities to depositors.

2<sup>1</sup>. Information on changes made in the bank's register of liabilities to depositors should be forwarded to the Agency at the day of making such changes in accordance with procedure established by the Agency, and it should be taken into account when amounts to be paid to depositors is determined.

3. The Agency shall be entitled to request from a bank in which the insured event occurred, any further information, including copies of documents, if information submitted in accordance with parts 1 and 2 of this article is insufficient to execute measures aimed at reimbursement of depositors. The bank in which the insured event occurred shall be obligated to submit the requested information within three business days from receipt of the Agency's request.

4. The Agency shall weekly advise the bank in which the insured event occurred about depositors who received reimbursement, amounts paid by the Agency and deposits which were reimbursed.

#### Article 31. Business, Commercial and Banking Secret

1. The Agency shall be entitled to receive information related to banks in which the insured event occurred, constituting commercial, business or banking secret, to the extent it is needed to fulfill functions set forth by this Federal Law.

2. The Agency shall be obligated to submit information that became available about bank's operations, deposits, accounts, financial condition, as well as any other data constituting commercial or banking secret to the court or the Bank of Russia upon request.

3. If the Agency or its employees disclosed information constituting commercial, business and banking secret, a person whose rights were infringed, shall be entitled to request that Agency compensate for the losses in accordance with the legislation of the Russian Federation.

#### Article 32. Participation of Agency Employees in Bank Inspections

The Bank of Russia shall request the Agency employees to participate in inspections on issues related to bank deposit liabilities' size and structure, payment of insurance premiums, as well as executing by banks other obligations set forth in this

Federal Law.

## **Chapter V. FINANCIAL FOUNDATION OF DEPOSIT INSURANCE SYSTEM**

### **Article 33. The Mandatory Deposit Insurance Fund**

1. The mandatory deposit insurance fund is the combination of funds and other property formed and used in accordance with this Federal Law.

2. The mandatory deposit insurance fund is owned by the Agency by title and designated to fund deposit reimbursements according to the procedure and on conditions set forth in this Federal Law.

3. The mandatory deposit insurance fund shall be separated from any other Agency property. The fund shall be accounted by the Agency on a separate balance sheet using separate bookkeeping procedure.

4. The mandatory deposit insurance fund's reserves shall be kept on a specially opened Agency account with the Bank of Russia. The Bank of Russia shall not pay interest on funds balances left on the above account.

5. The mandatory deposit insurance fund shall not be liable for obligations of the Russian Federation, regional and municipal entities, banks and third parties, as well as the Agency's obligations, except cases when such obligations arose in connection with non-fulfillment by the Agency of its obligations on reimbursement of insured depositors. Such recovery shall be executed only based on court decision.

### **Article 34. Sources of Formation of the Mandatory Deposit Insurance Fund**

1. The mandatory deposit insurance fund shall be formed out of:

- 1) insurance premiums paid in accordance with this Federal Law;
- 2) penalties imposed for partial and/or untimely payment of premiums to the mandatory deposit insurance fund;
- 3) funds and other property received as a result of satisfaction of claims acquired by the Agency as a result of deposit reimbursement;
- 4) funds from the federal budget in cases as set forth in this Federal Law;
- 5) income derived from placement (investment) of temporarily idle funds of the mandatory deposit insurance fund;
- 6) initial property contribution in accordance with article 50 of this Federal Law;
- 7) other earnings not prohibited by the legislation of the Russian Federation.

### **Article 35. Insurance Premiums**

1. Insurance premiums shall be uniform for all banks and to be paid by every bank starting the date of inclusion of the bank in the register of member banks and through the date of revocation (annulment) of the bank's license by the Bank of Russia, or exclusion of the bank from the register of member banks in accordance with points 2, 3 of part 3 of article 28 of this Federal Law.

2. The first calculation period for payment of insurance premiums shall be the period from the day of a bank's inclusion in the register of member banks through the last day of the calendar quarter during which the bank was included in the register of member

banks.

3. Imposition by the Bank of Russia of a moratorium on meeting claims of creditors of a credit institution shall suspend payment of insurance premium during the moratorium. In this case a bank shall be obligated to pay insurance premium for the calculation period up to the day preceding the moratorium imposition date.

#### Article 36. Procedure for Calculation and Payment of Insurance Premiums

1. The calculation period for banks to pay insurance premiums shall be a calendar quarter.

2. The calculation base for calculation of insurance premiums (hereinafter referred to as «the calculation base») shall be determined as the average chronological daily balance of household deposits except deposits that are not covered by insurance in accordance with this Federal Law.

3. With regard to deposits denominated in foreign currency, the average daily balance shall be included in calculation in ruble equivalent based on the official exchange rate set by the Bank of Russia.

4. The rate of insurance premium shall not exceed 0.15% of the calculation base for the latest calculation period.

5. In cases as set forth by this Federal Law, the rate of insurance premiums can be increased to 0.3% of the calculation base, but no longer than for two calculation periods during 18 months.

6. Insurance premium rate cannot exceed 0.05% of the calculation base from the calculation period following the one when the total funds of the mandatory deposit insurance fund, including funds invested by the Agency according to the procedure set forth in this Federal Law, exceeded 5% of the aggregate amount of banks' deposits.

7. The Board of Directors of the Agency shall set insurance premium rate for banks. If the insurance premium rate is changed, the new rate shall be introduced no sooner than 45 days after respective decision is made.

8. The decision on setting the insurance premium rate shall be published in the «The Bank of Russia Bulletin» and «Rossiyskaya Gazeta» no later than 5 days after the decision is made.

9. The Agency shall establish a procedure for determining the calculation base. If the procedure is changed, the new procedure shall be applied as of the next calculation period. Banks shall be informed about a new calculation procedure no later than 30 days before it starts being applicable.

10. Banks shall conduct the insurance premium calculation themselves.

11. Payment of insurance premium shall be effected within 25 days from the end of a calculation period by remittance to the Agency account opened with the Bank of Russia where the mandatory deposit insurance fund's resources are placed.

12. Obligation of a bank to pay insurance premium shall be considered executed as of the date when funds are written off from the bank's correspondent account with the Bank of Russia.

13. Insurance premium (fines) amount paid for the calculation period in excess of the set level shall be taken into account as part of payments due for other calculation periods or future payments, or shall be returned if the bank's obligation to pay insurance premium is terminated in accordance with article 35 of this Federal Law.

14. Payment of insurance premiums shall be effected in the currency of the Russian Federation.

15. Payment of insurance premiums shall be automatically suspended by banks starting the calculation period following the one when the total funds of the mandatory deposit insurance fund, including funds invested by the Agency according to the procedure set forth in this Federal Law exceeded 10% of the aggregate amount of banks' deposits.

16. Payment of insurance premiums shall automatically recommence starting the calculation period following the one when the total funds of the mandatory deposit insurance fund, including funds invested by the Agency according to the procedure set forth in this Federal Law fall below 10% of the aggregate amount of banks' deposits.

#### Article 37. Execution by Banks of their Obligation to Pay Insurance Premiums

1. Fines shall be imposed on banks for untimely or incomplete payment of the insurance premium to the mandatory deposit insurance fund.

2. A fine is understood as set by this Article amount of money that a bank will be obligated to pay in addition to insurance premium for delayed payment of the insurance premium.

3. The Agency shall be entitled to request that banks transfer delayed insurance premium with accrued fine and inform the Bank of Russia thereof.

4. The fine shall accrue for each calendar day of the delay starting the date following the set payment date.

5. The fine per each day of the delay shall accrue in percentage of non-paid insurance premium amount. The fine per one day of the delay shall be equal to the Bank of Russia refinancing rate valid during the respective period and divided to 360 calendar days.

6. The Agency shall be entitled to enforce non-paid premium with the fines through courts. The recovered amounts shall be transferred to the Agency's account with the Bank of Russia where the mandatory deposit insurance fund's resources are placed.

#### Article 38. Placement and/or Investment of Temporarily Idle Mandatory Deposit Insurance Fund's Resources

1. Placement and/or investment of temporarily idle funds of the mandatory deposit insurance fund shall be effected with the purpose to develop the deposit insurance system. The above investment shall be effected based on principles of recoverability, profitability and liquidity of purchased financial instruments.

2. The Board of Directors of the Agency shall annually set types, procedures and terms for placement and/or investment of temporary idle resources of the mandatory deposit insurance fund, as well as the upper limit for the volume of investments.

3. Temporarily idle resources of the mandatory deposit insurance fund can be placed and/or invested in the following instruments:

- 1) government bonds of the Russian Federation;
- 2) government bonds of regional entities of the Russian Federation;
- 3) securities of Russian issuers in addition to those stated in points 1 and 2;
- 4) shares of Russian issuers incorporated as open joint stock companies;

5) shares of index investment funds investing in foreign government bonds and securities of foreign issuers;

6) mortgage securities issued in accordance with the Federal Law «On Mortgage Securities»;

7) securities issued by countries that are members of the OECD;

8) deposits and securities of the Bank of Russia;

4. Temporarily idle resources of the mandatory deposit insurance fund shall not be invested in instruments that are not directly prescribed in this Federal Law.

5. Temporarily idle resources of the mandatory deposit insurance fund cannot be invested in securities of issuers subject to pre-trial rehabilitation or bankruptcy (observation, provisional (external) administration, bankruptcy proceedings) in accordance with the bankruptcy legislation of the Russian Federation, or if the above procedures were applicable during the preceding two years.

6. Investment in securities of temporary idle resources of the mandatory deposit insurance fund shall be permitted only if:

1) they are in circulation on the securities market, or issued by the Russian Government specifically for institutional investors – for those mentioned in point 1 of part 3 of this article;

2) they are in circulation on the organized securities market and comply with criteria set forth by federal executive body authorized by the Russian Government – for those mentioned in points 2 to 4 and 6 of part 3 of this article;

7. Time transactions (securities options, futures and forwards) shall be permitted only for hedging purposes in accordance with federal legislation.

8. Financial instruments purchased at the expense of deposit insurance Fund's resources shall be the Fund's integral part and should be reflected on its balance sheet.

#### Article 39. Designation of Deposit Insurance Fund's Resources

Deposit insurance Fund's resources shall be designated by Agency to fund deposit repayment process, as well as for expenses incurred in connection with execution of deposit insurance functions and other purposes in accordance with this Federal Law.

#### Article 40. Funding the Agency's Expenses

1. The Agency's expenses on implementation of measures relating to its operations on the mandatory deposit insurance and fulfillment of other functions envisaged by the Federal Law «On Banks and Banking» and the Federal Law «On Insolvency (Bankruptcy) of Credit Institutions» shall be funded at the expense of the Agency's property.

2. If the above property is insufficient for funding the Agency's deposit insurance activities, upon the Board of Directors of the Agency proposal funding of these operations can be effected at the expense of the Reserve (Stabilization) Fund of the Russian Federation Government.

#### Article 41. Securing Deposit Insurance System Financial Sustainability

1. Financial sustainability of the deposit insurance system shall be secured by the

Agency's property, as well as by the federal budget funds according to the procedure and on conditions set forth in this Federal Law and the budget legislation of the Russian Federation.

2. To secure sustainability of the deposit insurance system the Federal Law on the federal budget for a respective year shall stipulate the right of the Russian Federation Government to provide loans from the state budget and effect borrowings, the limit of above borrowings as well as limitations of respective expenses from federal budget.

3. If the Board of Directors of the Agency approves a decision of the Board of Management about the deficit of the mandatory deposit insurance fund and impossibility to effect deposit reimbursements within time limits set by this Federal Law, without replenishing the fund with additional resources (except insurance premiums and other planned earnings), the Board of Directors within no more than 7 days from the insured event date shall make one of the following decisions:

1) to request the Russian Federation Government to designate respective funds to the Agency as non-interest budget loan, if according to the Agency's calculation the deficit of the mandatory deposit insurance fund does not exceed 1 billion rubles. The Government of the Russian Federation shall make respective decision within no longer than 7 calendar days;

2) to request the Russian Federation Government to allocate additional funds from the federal budget to the Agency, if according to Agency's calculation the deficit of the mandatory deposit insurance fund exceeds 1 billion rubles. If the Government of the Russian Federation is unable to allocate the requested funds, it shall within its competence submit to the State Duma a draft Federal Law on making respective amendments to the Federal Law on the federal budget for a respective year. The above presentation to the State Duma shall take place within 7 calendar days from the day of receipt of the Agency Board of Directors' request.

4. With the purpose of restoration of the mandatory deposit insurance fund the Board of Directors of the Agency shall be entitled to set increased insurance premiums in accordance with this Federal Law.

#### Article 42. Control of the Deposit Insurance System Operations

1. The Bank of Russia and the Government of the Russian Federation shall control the deposit insurance system operations through their designated representatives in governing bodies of the Agency.

2. The Board of Directors of the Agency shall annually select by tender an audit company to audit the use by the Agency of funds of the deposit insurance fund.

3. Control of the use of federal budget funds allocated to the deposit insurance fund shall be conducted according to the procedure set for the use of federal budget funds.

### **Chapter VI. PARTICIPATION OF BANKS IN THE DEPOSIT INSURANCE SYSTEM: FINAL PROVISIONS**

Article 43. Specifics of Registration in the Deposit Insurance System of Banks that have the Authorization of the Bank of Russia as at the Date of Enactment of This Federal Law

1. A bank that has the authorization of the Bank of Russia as at the date of enactment of this Federal Law shall be registered with the deposit insurance system by the Agency by means of its inclusion in the register of member banks based on the Bank of Russia's notification about the bank's compliance with requirements stated in article 44 of this Federal Law.

2. The Agency shall include a bank in the register of member banks no later than on the business day following the receipt of the Bank of Russia's notification stated in part 1 of this article.

3. Deposits in a bank that has the authorization of the Bank of Russia as at the date of enactment of this Federal Law shall be insured according to procedures set forth in this Federal Law as of the day of the bank's registration in the register of member banks.

#### Article 44. Requirements to Membership of Banks in the Deposit Insurance System

1. A bank that has the authorization of the Bank of Russia as at the date of enactment of this Federal Law or applying for the Bank of Russia's authorization shall be considered as complying with requirements to membership in the deposit insurance system, if it simultaneously meets the following conditions:

1) if the bank's accounting and reporting are acknowledged by the Bank of Russia as reliable;

2) if the bank fulfills mandatory regulatory ratios set by the Bank of Russia;

3) if the bank's financial sustainability is recognized by the Bank of Russia as adequate;

4) if measures stipulated by article 74 of the Federal Law «On the Central Bank of the Russian Federation (The Bank of Russia), as well as by article 20 of the Federal Law «On Banks and Banking», and article 3 of the Federal Law «On Insolvency (Bankruptcy) of Credit Institutions» have not been imposed against the bank and there are no grounds for their imposition based on the results of examination conducted by the Bank of Russia in accordance with part 4 of article 45 of this Federal Law.

2. Accounting and reporting of a bank shall be considered reliable by the Bank of Russia, if simultaneously:

1) accounting and reporting practices comply with Federal Laws, regulations and rules set by the Bank of Russia as well as internal accounting policy of the bank;

2) possible weaknesses and errors in accounting/reporting do not have a significant effect on bank's financial sustainability.

3. Financial sustainability of a bank shall be assessed by the Bank of Russia by groups of indicators listed in part 4 of this article arriving at summary «satisfactory» or «unsatisfactory» result with respect to each group. The Bank of Russia shall acknowledge financial sustainability as adequate if a bank has «satisfactory» for all groups of indicators.

4. To assess financial sustainability of a bank, the following groups of criteria shall be used:

1) a group of indicators characterizing a bank's capital that includes capital adequacy and quality indicators;

2) a group of indicators characterizing a bank's assets that includes indicators of quality of loans and other assets, loan loss provisions, risk concentration, including credit risk exposure to shareholders and insiders;



3) a group of indicators characterizing a bank's management, operations and risk management, including property structure transparency, operation of risk management system, including control of currency position, as well as internal controls including the system for combating money laundering and financing terrorism;

4) a group of indicators characterizing a bank's earnings, including asset and capital profitability indicators, structure of income and expense, profitability of specific operations and a bank as a whole;

5) a group of indicators characterizing a bank's liquidity, including indicators of asset liquidity, liquidity and the structure of liabilities, overall liquidity, risk exposure to large creditors and depositors;

6) a bank's compliance with rules established by the Bank of Russia in respect to unrestricted public disclosure of information on persons that have substantial influence (direct or indirect) on decisions taken by its governing bodies.

5. The composition of indicators named in this article, their calculation methodology and procedure of arriving at summary results shall be set forth in a regulation of the Bank of Russia and published in «The Bank of Russia Bulletin» no later than a month after enactment of this Federal Law.

Article 45. The Procedure for the Bank of Russia to Make Judgment Banks' Compliance with Requirements to Membership in the Deposit Insurance System (for Banks that have the Bank of Russia Authorization at the Date of Enactment of This Federal Law)

1. A bank that has the Bank of Russia's authorization at the day of enactment of this Federal Law that made a decision to join the deposit insurance system shall be entitled within no longer than 6 months from the enactment of this Federal Law to submit their application to the Bank of Russia to make a judgment on its compliance with requirements to membership in the deposit insurance system (hereinafter also referred to as the judgment).

2. The Bank of Russia shall make the judgment within a period not exceeding nine months from the day of receipt of a bank's application (hereinafter referred to as the application).

3. Review by the Bank of Russia of banks' applications and making judgments on them shall be completed within a period not exceeding 15 months from the day of enactment of this Federal Law.

4. Review of banks applications by the Bank of Russia shall consist of the following stages:

1) preliminary analysis of a bank's compliance with requirements to membership in the deposit insurance system;

2) a special inspection of a bank with the purpose to assess reliability of its accounting and reporting practices, as well as to identify issues related to assessment of the bank's compliance with requirements to membership in the deposit insurance system that cannot be identified by off-site supervision techniques;

3) final analysis of results including calculation of all criteria;

4) making a positive or negative judgment.

5. Parts 5 and 6 of article 73 of the Federal Law «On the Central Bank of the Russian Federation (The Bank of Russia)» shall not be applicable to inspections

conducted in banks in accordance with this Federal Law.

6. If the Bank of Russia makes a negative judgment, a bank after eliminating detected discrepancies shall be entitled to submit a follow-up application to the Bank of Russia, except cases when there are grounds to revoke its banking license in accordance with Federal Laws.

7. The follow-up application shall be submitted by banks within the time period not exceeding 16 months from the day of enactment of this Federal Law.

8. Consideration by the Bank of Russia of a follow-up application and making a judgment on it shall be completed within the time period not exceeding 21 months from the day of enactment of this Federal Law.

9. It is not allowed for a bank to submit the application to the Bank of Russia more than twice.

10. The judgment shall be made by the Bank of Russia's Banking supervision Committee.

11. The Bank of Russia shall send its positive or negative judgment to a bank no later than one business day after the decision is made.

12. A bank within one month after the Bank of Russia made a negative judgment on its follow-up application shall be entitled to appeal the above judgment in the Bank of Russia's Banking supervision Committee. If a negative judgment is confirmed by the above committee, a bank shall be entitled to appeal with the Chairman of the Bank of Russia within a month from receipt of the confirmed negative judgment.

13. The Bank of Russia's Banking supervision Committee and the Chairman of the Bank of Russia shall be obligated to review the appeal of the bank within one month from its receipt.

14. Procedure for review by the Bank of Russia of applications and appeals from banks shall be set by a regulation of the Bank of Russia and published in «The Bank of Russia Bulletin» no later than a month after enactment of this Federal Law.

15. The Bank of Russia shall send notification to the Agency about its positive judgment no later than on the following business day after the decision was made.

Article 46. Consequences Arising in Connection with Refusal of a Bank that has the Bank of Russia Authorization at the day of Enactment of This Federal Law to Join the Deposit Insurance System

1. For the purposes of this Federal Law, refusal from membership in the deposit insurance system shall be considered as follows:

1) failure by a bank to submit an application to the Bank of Russia within 6 months from the enactment of this Federal Law;

2) submission by a bank to the Bank of Russia of a notification on refusal to work in the area of accepting household deposits, as well as opening and keeping bank accounts for individuals.

2. The Bank of Russia with regard to banks that refused to join the deposit insurance system in accordance with part 1 of this article, shall be obligated:

1) Upon expiration of 21 months from the day of enactment of this Federal Law, to impose a prohibition for such banks to accept household deposits and open bank accounts. The above prohibition shall be in force until the right of a bank to accept household deposits is terminated, or its banking license is revoked in accordance with the procedure

set forth in this Federal Law and regulations of the Bank of Russia adopted in connection therewith;

2) As of the date when a bank refused to join the deposit insurance system, but no later than 21 months from the day of enactment of this Federal Law, the Bank of Russia shall require such a bank to submit a request about termination of its right to work with individuals.

3. Banks that are requested by the Bank of Russia in accordance with part 2 of this article, shall be obligated within 30 days to request that the Bank of Russia terminate their right to accept household deposits according to the procedure set forth in regulations of the Bank of Russia.

4 Banks that submitted requests to the Bank of Russia about terminating their right to accept household deposits shall not be entitled to accept from individuals deposits and additional funds on bank accounts as of the above request date. Information thereof shall be put in the bank's premises where it provides services to its household customers.

5. Bank account and/or deposit agreements with individuals concluded by a bank before the Bank of Russia prohibition was imposed shall not be cancelled, except when account/deposit owner requested cancellation of the above agreements. Additional funds that arrived in a deposit (account) starting the day when the Bank of Russia imposed the above ban, except interest accrued in accordance with terms of a bank deposit (bank account) agreement, shall not be entered into the deposit (account) and shall be returned to persons that ordered the transfer of funds to the deposit (account) or, based on a request of the individual, shall be transferred to an account of this particular individual in another insured bank in accordance with procedure established by the Bank of Russia.

6. Banks on a day of the Bank of Russia imposition of a prohibition according to part 2 of this article, shall be obligated to place information about termination of its right to accept individuals' money into deposits and/or open bank accounts, as well as about absence of right to conclude new bank account and/or deposit agreements with individuals. The above information should be placed in bank's premises where it provides services to its household customers.

7. If a bank fails to fulfill obligations set forth by parts 4 to 6 of this article, the Bank of Russia shall be obligated to impose liability measures against the bank set forth in the Federal Law «On the Central Bank of the Russian Federation (The Bank of Russia), in Federal Law «On Banks and Banking», and other Federal Laws.

#### Article 47. Consequences of the Bank of Russia Negative Judgment

1. For the purposes of this Federal Law a bank shall be acknowledged as non-complying with requirements to membership in the deposit insurance system, if:

1) the bank failed to submit a follow-up application within the time period set forth in parts 6 to 8 of article 45 of this Federal Law;

2) The Bank of Russia has made a negative judgment on the bank's follow-up application and after the review of the appeal.

2. The Bank of Russia within a month from the day of making the negative judgment on a bank's follow-up application, or within a month after expiration of time period given to submit the follow-up application, but no later than 21 months from the day of enactment of this Federal Law, shall be obligated:

1) to require such a bank to submit a request about terminating its right to accept

household deposits;

2) impose prohibition to accept household deposits and open bank accounts for individuals that will be in force until the right to accept deposits is terminated, or banking license is revoked in accordance with the procedure set forth by this Federal Law and regulations of the Bank of Russia adopted in connection therewith.

3. A bank that was acknowledged by the Bank of Russia as non-complying with requirements to membership in the deposit insurance system according to part 1 of this article, shall be obligated within a month from the day of imposition by the Bank of Russia of prohibition to accept household deposits and open bank accounts for individuals to submit request to the Bank of Russia about termination of its right to work with individuals.

4. Bank account and/or deposit agreements concluded by a bank with individuals prior to the above imposition shall not be cancelled, except when a deposit (account) owner requested the above cancellation. Additional funds shall not be accepted from individuals except interest accrued in accordance with account or deposit agreements and shall be returned to persons that authorized such placement of funds into bank deposit/account or based on a request of the individual shall be transferred to an account of this particular individual in another insured bank in accordance with procedure established by the Bank of Russia.

5. Banks on a day of the Bank of Russia imposition of a prohibition according to part 2 of this article, shall be obligated to place information about termination of their right to accept individuals' resources into deposits and/or open bank accounts, as well as about absence of right to conclude new bank account and/or deposit agreements with individuals. The above information should be placed in bank's premises where they provide services to household customers.

6. If a bank failed to fulfill obligations set by parts 3 to 5 of this article, the Bank of Russia shall be obligated to impose liability measures against the bank set forth in the Federal Law «On the Central Bank of the Russian Federation (The Bank of Russia)», in Federal Law «On Banks and Banking», and other Federal Laws.

#### Article 48. Consequences of Non-compliance of Banks Included in the Register of Member Banks with Requirements to Membership in the Deposit Insurance System

1. Banks that are included in the register of member banks shall be obligated to comply with requirements to membership in the DIS set forth in article 44 of this Federal Law subject to provisions established in this article.

2. In accordance with the Russian Federation legislation the Bank of Russia shall exercise supervision over banks' compliance with requirements stated in part 1 of this article.

3. A bank is perceived as not complying with requirements to membership in the DIS in cases when:

1) the bank's accounting records and reports are recognized by the Bank of Russia not trustworthy for three consequent months;

2) the bank for six subsequent months does not comply with a certain particular mandatory ratio or requirement established by the Bank of Russia. Non-compliance of a mandatory ratio or requirement at least for six business days within a reporting month shall be considered as non-compliance for the whole reporting month;

3) financial sustainability of the bank is recognized by the Bank of Russia insufficient;

4) for three subsequent months one of the measures set forth in point 4 of second part of article 74 of the Federal Law «On the Central bank of the Russian Federation (the Bank of Russia)» is applied to the bank.

3<sup>1</sup>. For the purposes of this article a bank's financial sustainability is recognized by the Bank of Russia insufficient in cases when:

1) for six subsequent reporting months or two subsequent quarter reporting dates the bank is categorized as «deficient » on a certain particular group of indicators set forth in points 1, 2 and 5 of part 4 of article 44 of this Federal Law;

2) for three subsequent months the bank is categorized as «deficient» on a group of indicators set forth in points 3 and 6 of part 4 of article 44 of this Federal Law;

3) for two subsequent quarter reporting dates the bank is categorized as «deficient» on a group of indicators set forth in point 4 of part 4 of article 44 of this Federal Law.

3<sup>2</sup>. Compliance of a bank included in the register of member banks with requirements to membership in the DIS is determined on the basis of results of inspections or documentary examination of the banks reports as well as documented evidences received from the bank. In case the identified in the course of an inspection or documentary examination deficiencies that cause violation of requirements set forth in points 1, 2 or 3 of part 1 of article 44 of this Federal Law have been corrected before the date of their identification or in the course of inspection which identified them, or corrected before the date when the Bank of Russia considered a question of imposing a bank on accepting of household deposits and opening of bank accounts for individuals, the bank is recognized as complying with requirements set forth in points 1, 2 and 3 of part 1 of article 44 of this Federal Law.

3<sup>3</sup>. In case a bank's non-compliance with requirements to membership in the DIS on grounds set forth in parts 3 and 3<sup>1</sup> of this article, the Bank of Russia in accordance with decision taken by its Banking supervision Committee shall:

1) send to the bank a request to submit an application to terminate its right to work with household deposits;

2) impose a ban on accepting by the bank of household deposits and opening of bank accounts for individuals, which will be effective through the day of termination of this bank's right to work with household deposits in accordance with provisions set forth in this Federal Law and the Bank of Russia regulations issued in accordance with it, or through the day of revocation of the bank's license by the Bank of Russia for accepting household deposits and opening bank accounts for individuals.

3<sup>4</sup>. The Bank of Russia in case of identification of threat to interests of creditors and depositors resulting from a bank's operations can, in accordance with decision taken by its Banking supervision Committee, make decisions envisaged by part 3<sup>3</sup> of this article in cases when:

1) accounting records and reports of the bank are recognized not trustworthy;

2) the bank for two subsequent months does not comply with a certain particular mandatory ratio or requirement established by the Bank of Russia;

3) the bank for two subsequent months is categorized as «deficient» on a certain particular group of indicators set forth in points 1, 2 and 5 of part 4 of article 44 of this Federal Law.

4. A bank in relation to which in accordance with parts 3<sup>3</sup> and 3<sup>4</sup> of this article the

Bank of Russia imposed a ban on accepting household deposits and opening bank accounts for individuals shall, within thirty days after this ban was imposed, submit to the Bank of Russia in accordance with the procedure established by the Bank of Russia's regulations a request about termination of the bank's right to work with individuals.

5. Bank account and/or deposit agreements concluded by a bank with individuals prior to the above imposition shall not be cancelled, except when a deposit (account) owner requested the above cancellation. Additional funds that arrived in a deposit (account) day starting the day when the Bank of Russia imposed the above ban, except interest accrued in accordance with terms of a bank deposit (bank account) agreement, shall not be entered into the deposit (account) and shall be returned to persons that ordered the transfer of funds to the deposit (account) or, based on a request of the individual, shall be transferred to an account of this particular individual in another insured bank in accordance with procedure established by the Bank of Russia.

6. Banks after the Bank of Russia imposition of a prohibition according to parts 3<sup>3</sup> and 3<sup>4</sup> of this article, shall be obligated to place information no later than the next business day about termination of their right to accept individuals' resources into deposits and/or open bank accounts, as well as about absence of right to conclude new bank account and/or deposit agreements with individuals. Above information should be placed in bank's premises where they provide services to their household customers.

7. If a bank failed to fulfill obligations set by part 3 of this article, the Bank of Russia shall be obligated to impose liability measures against the bank set forth in the Federal Law «On the Central Bank of the Russian Federation (The Bank of Russia), in Federal Law «On Banks and Banking», and other Federal Laws.

8. If a bank refused to join the deposit insurance system in accordance with article 46 of this Federal Law, it shall be entitled to request that the Bank of Russia granted an authorization or cancelled the prohibition on accepting household deposits and opening bank accounts for individuals no sooner than 2 years after the day of enactment of this Federal Law.

9. A bank that received negative judgment in accordance with article 47 of this Federal Law or recognized as non-complying with requirements to membership in the DIS shall be entitled to request the Bank of Russia to grant an authorization or cancelling the prohibition on accepting household deposits and opening bank accounts to individuals no sooner than 2 years after the day of enactment of this Federal Law. The day of termination of a bank's right to work with household deposits means the day when the bank's license on accepting of household deposits and opening of bank accounts for individuals was recognized invalid in accordance with a regulation by the Bank of Russia.

#### Article 49. Specifics of Reimbursement of Deposits placed with the DIS Member Banks in which the Bank of Russia has Equity Interest

1. Reimbursement of household depositors in excess of the coverage limit set forth in this Federal Law placed under banking deposit agreement or bank account agreements executed before October 1, 2004 in credit institutions with the Bank of Russia participating in their capital, if such agreements have not been changed or amended after September 30, 2004, shall be guaranteed by vicarious liability of the Russian Federation in accordance with the procedure prescribed in article 399 of the Civil Code of the Russian Federation until January 1, 2007.

## Article 50. Property Contribution of the Russian Federation

1. Property contribution of the Russian Federation to the Agency's property shall be effected by transfer of 3 billion rubles from the State Corporation «Agency for Restructuring of Credit Organizations». Out of this amount 2 billion rubles shall be allocated to the mandatory deposit insurance fund and 1 billion rubles – to establish the Agency's resources for implementing actions set forth in this Federal Law, the Federal Law «On Banks and Banking» and the Federal Law «On Insolvency (Bankruptcy) of Credit Institutions».

2. Property contribution stated in part 1 of this article shall be effected in cash and/or government securities with their market value estimation within 6 months from the day of enactment of this Federal Law.

3. Funds received by the State Corporation «Agency for Restructuring of Credit Organizations» upon completion of its restructuring projects and based on its Board of Directors' decisions shall be contributed to Agency as property contributions of the Russian Federation.

## Article 51. Enactment of This Federal Law

1. This Federal Law shall be enacted as of its official publication date.

2. The Government of the Russian Federation and the Bank of Russia within ten days from the day of enactment of this Federal Law shall designate their respective candidates to represent them in the Board of Directors of the Agency.

President  
of the Russian Federation  
V. PUTIN

Moscow, Kremlin  
23 December 2003  
#177-FZ

## Appendix 2

### Canada Deposit Insurance Corporation 2010 TV Advertisement<sup>673</sup>

| Video  | Audio  |
|--|--|
| <p>A series of people doing things to protect themselves – guy locks bicycle, woman tests smoke alarm, man locks car, father zips up little girls life jacket, senior with dog in door, and mother putting baby in car seat. All of them look secure and confident.</p> <p>All of them stop suddenly and look to camera with surprise.</p> <p><b>Logo/Super</b><br/> CDIC Canada Deposit Insurance Corporation<br/> cdic.ca<br/> 1-800-461-CDIC<br/> CDIC Logo</p> <p>End on mother with baby entering bank. We see the CDIC decal.</p> <p><b>Super</b><br/> Be informed. Protect Your Savings</p> | <p>Every day you make sure things that matter are safe. But what about your savings?</p> <p>Maybe you know that the Canada Deposit Insurance Corporation is the federal agency that automatically protects savings from \$1 to \$100,000 dollars.</p> <p>But did you know that not all savings are covered?</p> <p>For what is and isn't covered, visit <a href="http://cdic.ca">cdic.ca</a>, call or ask where you bank.</p> <p>CDIC – be informed. Protect your savings.</p> |

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<sup>673</sup> Formatting added. For the 2010 TV advertisement, visit

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## **Appendix 3**

### **Summary of the Results of 2007 Study<sup>674</sup>**

#### **PUBLIC INVESTMENT BEHAVIOR IN 2007 AND DIS IMPACT ON IT (SHORT VERSION)**

To assess the current public investment behavior and its changes under the influence of the Federal Law “On Insurance of Households’ Deposits in Banks of the Russian Federation” Deposit Insurance Agency (DIA) organized sociological survey in December 2007 incorporating quantitative and qualitative components. Quantitative research was conducted by OAO “All Russia Centre for Public Opinion Review” (VTZIOM). The analysis of obtained data was carried out jointly by experts of VTZIOM and DIA.

1600 people from 18 years of age and above participated in the survey. It was based on representative all-Russia sampling taking into account age and sex quotas (according to State Statistics Committee data). The survey took place in 153 settlements located in 4 regions, areas and republics of the Russian Federation. The research techniques consisted in individual interviews. Sampling statistical error did not exceed 2.34%. The results of the above quantitative research are presented in the first part of this review.

Also, within the framework of the present review in-depth interviews with representatives of groups with high personal income were conducted in 6 cities (where income was in excess of RUR 50,000 per person). Summarized results of qualitative research are presented in the second part of this review.

#### **I. BASIC RESULTS OF QUANTITATIVE RESEARCH (ALL-RUSSIA SURVEY)**

During 2007 possibilities for public savings increased. Compared to the results of 2006 survey the number of people in a position to save part of their resources went up from 40% to 47%. However the increase of ‘potential’ households’ savings ‘energy’ was not transformed into ‘kinetic’ one. This is also verified by State Statistics Committee data, according to which savings ratio (ratio of savings to pure income) during the last five years went down one and half times.

To analyze the survey results all respondents were divided into typological groups based on available to them resources and those classified depending on the use of banking services.

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<sup>674</sup> Translated to English by the DIA, available at [http://asv.org.ru/en/analit/analit\\_5.doc](http://asv.org.ru/en/analit/analit_5.doc) (last accessed on 04 December 2011). Formatting added, spelling, grammar, punctuation and underlines are as in the original.

Groups that do not have available resources represent 50%. People whose monthly income is spent on basic current needs referred themselves to this group. The share of this group compared to the previous year went down by 9% (in 2006 it was 59%).

Groups who only sometimes have available resources make up 32%. People who regularly have part of their monthly income left after covering all basic needs referred themselves to this group, and sometimes they have opportunity to make savings in various modes. Last year the share of this group was 26%.

Groups with available resources ('systemic savers') constitute 15%. People who regularly have part of their monthly earnings left as free resources after covering all basic needs referred themselves to this group, and they are in a position to save the resources in different modes. Last year the share of this typological group was 14%.

The portrait of 'systemic saver' looks as follows: it is a specialist with higher education and income of RUR 5,000 per each family member. He lives in Moscow or St. Petersburg and would characterize his financial condition as good or very good. His age would be from 45 to 59 years. The second most spread 'typical saver' is a pensioner. The most significant changes compared to 2006 are connected with financial condition improvements, which can be accounted for general well-being growth throughout the country.

Approximately one fourth of the Russian population (26%) are still keeping their resources at home in cash rubles, but this is almost twice less compared to the results of 2006 (50%).

The number of people who place their resources into bank deposits went down (11% compared to 16% in 2006). The reasons for the above reduction were – consumption growth, reduction of deposit interest rates to the inflation level, and changes in population age structure giving preference to bank deposits.

Based on the results of 2007 survey – 33% of those interviewed were included in the group of depositors<sup>675</sup> as interpreted by deposit insurance law, out of which – 11% are using their deposits as an investment instrument, while others using them to receive salaries, pensions and students' scholarship. Another 21% of the population is using other types of banking services. 46% respondents can be referred to the group that does not use banking services at all. The above testifies to the fact that the share of depositors is preserved, but the share of general public using banking services declined (from 63% to 54%). The present research has once again reaffirmed an obvious fact: banking services' attractiveness and demand depend, above all, on income level.

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<sup>675</sup> The term 'deposit' for the purposes of the present research is used in the same meaning as in the Federal Law "On Insurance of Households' Deposits in Banks of the Russian Federation". Citizens are referred to the group of depositors if they opened time deposit and/or have balances on their current bank accounts, including plastic card debit account and/or plastic card salary (pension, scholarship) account.

Random ‘depositor portrait’ looks as follows: it is an employed urban citizen, aged above 40 years with higher education; or it is a rural citizen with college level education of same age group. Another socially typical depositor is a pensioner. Characteristic features of a typical depositor have not undergone significant changes compared to 2006.

Public group using alternative banking services constitutes 21%. Respondents of this group do not have bank deposits or accounts, but they use other banking services (consumer or auto loans, utilities payments, money transfers, investment services). Compared to the results of 2006 survey this group’s share went down by 12%. The above reduction took place because the number of consumer credit users decreased.

Public group that does not use banking services at all constitutes 46%. This group’s share went up compared to 2006 results – then it was 37%.

The following have been basic 2007 trends in investing and saving public behavior: (1) significant reduction in the share of those keeping their savings in cash at home (both in rubles and foreign currencies); (2) decline of bank deposits’ attractiveness as an investment instrument, which is accounted by higher inflation rate compared to average-weighted deposit interest rate; (3) formation of numerous group of those who see no rationale for making savings in any mode – for example, every fifth Muscovite and citizen of St. Petersburg see no motivation for saving as they try to spend all their earnings.

Bank deposits more and more have to compete not with cash hidden at home, but with the desire of the public to spend all earnings in order to meet their ever increasing demands. The result of such competition will determine savings’ dynamics on a mid-term perspective.

Based on the results of 2007 survey, one fourth of the interviewed respondents (25%) mentioned amounts within the range from RUR 50,000 to 100,000 as resources that could be referred to savings. 59% respondents consider amounts less than RUR 100,000 as savings (in 2006 this size amounts were pointed out by 77%). Only 5% of the Russian citizens look upon amounts from RUR 100,000 to 400,000 as savings and practically the same number (4%) named amounts in excess of RUR 400,000 as their savings. Every seventh respondent (15%) pointed out that any amount could be considered as savings. In other words, only 9% respondents consider resources in amount exceeding RUR 100,000 as savings. The above testifies that DIS potential impact on investment and saving public behavior within the framework of existing insurance coverage is far from being exhausted.

If we compare the share of those who have saving opportunities by age groups, then within 25-34 age group – we can observe the maximum number of those who are able to make planned savings (19%). Last year this share was 16%, which also constituted the maximum.

Among respondents above 60 years of age the above share is minimal (12% in 2007, and 13% – in 2006). Most likely, the above is caused by the fact that 25-34 is the most ‘favorable’ age group: people already have an opportunity to make good earnings, while many of them would not yet have to incur significant outlays connected with upbringing

and educating kids, but have the need to resolve the issue of housing property. Also, some growth was discernable in the share of 'systemic savers' within 45-59 age group – most likely people have been more actively saving part of their resources “for the old age” (15% in 2007 compared to 10% in 2006). The growth of savings share in the group preceding retirement age testifies to the public longing to add up to insufficient earnings ratio on individual basis (income before retirement age to pension amount ratio). In 2006 distribution of 'systemic savers' share was more uniform, which can characterize ownership differentiation growth depending on age group.

“Criteria rating” for selecting banks by depositor looks as follows. The first and second ratings belong to responds “bank is owned by government” and “bank’s office is located close to the residence place” (26%); the third place (18%) is taken up by interest rates’ level – which, in our opinion, shows not only “more homogeneous” proposals on deposit market, but recognition of this phenomenon by the public as well. While attractiveness of state-owned bank status has started to decay – this trend is more discernable with the respondents’ age decrease.

16% respondents began to feel more confidence in banks, while twice as less – 8%, demonstrate less confidence in financial institutions. About half of the Russian citizens (46%) pointed out that their attitude towards banks during the last three years has not changed at all.

Thus, positive dynamics in the change of public attitude to banks can be testified. However, it would be premature to speak about final eradication of public scepticism – positive changes can be of unstable character.

Taking into consideration the current public confidence level to the banking system, introduction of irrevocable deposits is viewed as extremely undesirable. Establishment of this normative is rather negatively perceived by Russians. 42% depositors pointed out that they would say “no” to time deposits at all.

The results of the present research showed that 38% of the public are more or less acquainted with deposit insurance system – this confirms that more than one third of Russians demonstrate positive awareness of the DIS.

In 2007 DIS had an impact on investment behavior of 15% Russians (in 2006 – also 15%). The review of responds’ distribution regarding DIS impact on relationship with banks among depositors has shown its positive influence on actions of 45% representatives of this group. 12% depositors began paying attention on interest rate levels in banks that are not the largest and well-known.

For the first time 14% depositors opened accounts in banks; while another 7% depositors increased deposit amounts or terms of deposits respectively. Other depositors – based on DIS influence – began to split their total deposits (3%) and turn down keeping their funds at home in cash (2%).

37% Russians are aware of insurance coverage increase that took place in 2007, which exceeds the number of persons who have a bank deposit.

Coverage increase influenced actions or intentions of 15% of those who are aware of this event. 7% have increased their deposit amounts (or are planning such an increase). 4% opened bank accounts for the first time (or expressed their intention to do it in the nearest time). Another 4% extended their deposit terms (or are prepared to do so in the nearest time).

The results of the survey have shown that if we review our capital cities as ‘beacons’ laying the basis for ‘itinerary’ of the Russian public investing and saving behavior as a whole, we can distinguish two opposite further developments’ options. These options correspond to multi-direction trends established in Moscow and St. Petersburg. On the one hand, the share of those who are guided by principle ‘live today’ in the area of savings policy is unprecedented high in these cities. On the other hand, the share of ‘savers’ is also higher in Moscow and St. Petersburg: here only one third of the population (33%) is spending all income without saving any resources. In all other cities and towns almost half population (46%-52%) spends all monetary resources to cover basic necessities. 23% population are making planned savings in both capitals, while in other cities this share does not exceed 14%-16%.

Resolving the above dilemma in the interests of the Russian economy will in many respects depend on the total growth and homogeneous distribution of public earnings.

## **II. BASIC RESULTS OF QUALITATIVE RESEARCH (IN-DEPTH INTERVIEWS)**

Representatives of high-income group believe that savings amount may vary depending on the situation (resources availability and planned expenditure) – i.e. they were unable to formalize their understanding of the margin separating ‘pocket money’ from ‘savings’. Majority mentioned amounts within the range from RUR 100,000 to 500,000 as the minimum.

Respondents from this group try to select investment mode that would be reliable and profitable at the same time. Most frequently this group’s respondents mentioned investing in real estate. The next most popular investment area is private (with relatives or partners) business. This type of investments is particularly widespread in non-capital cities.

Bank deposits are viewed by respondents as a saving instrument enabling to keep funds “for the future”. Almost all respondents pointed out that bank deposits are unattractive method of investing funds because of low interest rates.

Basic saving objectives for this group’s respondents are purchasing real estate and accumulating funds for further investments in their private business with the purpose of gaining profits from such investments. Large purchases (mostly cars) can also be a saving purpose.

Among priority banking services the respondents named loans (mortgage, auto, credits for business development or for consumer purpose), plastic cards (both debit and credit), utilities payments, time or demand deposits, bank safes, money transfers.

Majority respondents do not have time deposits in banks (while almost all have current accounts). Those who have deposits, are using them as a means of ensuring funds' security, preferring safety and partial compensation for inflationary losses.

Term of deposit is the key criterion for selecting a bank deposit. For high-income depositors it is of primary importance to have an opportunity to withdraw funds at any convenient for them time, while interest rate turns out to be less meaningful (partially it can be explained by uniformity of banks' proposals). Therefore, majority representative of high-income groups of respondents having time deposits prefer to have short-term deposits.

To open up a time deposit a reliable bank should be selected. In the opinion of many respondents, such banks are more likely to be state-owned institutions. The second important selection criterion is proposal's profitability, while the third – convenient location of the bank's branch (availability of parking or driveway are often understood as convenience). In addition to being a state-owned bank, in the opinion of many respondents, large charter capital may serve as indicator of bank's reliability. Besides, a number of respondents believe that foreign capital involvement can be viewed as another testimony of bank's reliability. In capital cities the importance of foreign shareholders presence in a bank turned out to be significantly higher.

According to many respondents, a recently established private bank annoyingly advertising its services with a long and sophisticated name should be viewed as unreliable bank. Also, many respondents look upon small banks with a great degree of vigilance.

The following are voiced as basic weaknesses of banks' operations are: long lines of customers, no flexibility in selecting insurance company when obtaining a credit, as well as low efficiency and inconvenient work hours.

If we characterize general attitude of high-income group's representatives – it can be stated that on the whole confidence in the Russian banking system has strengthened during the latest years.

The reason for the above could be a number of circumstances. The respondents pointed to stabilization, and expanding the spectrum of provided services. Some respondents mentioned DIS introduction as a stabilization factor. One of the meaningful factors of Russian banking system stabilization, according to many high-income group representatives, has been the presence of foreign banks on the market.

Respondents have rather general knowledge about deposit insurance system – which can be accounted by absence of their interest to time deposits because of their low yield, inconvenient service or lack of confidence in the banking system as a whole. Some respondents expressed their negative attitude to insurance coverage limit. In their opinion, deposits should be covered in full – no matter how big the deposit amount, while the current coverage is too low for them.

Opinions about DIS reliability and usefulness differ among those who are aware of system operations. For example, some respondents believe that DIS introduction was a very important innovation bringing domestic banking system closer to international standards. Other respondents do not have trust in DIS, thinking that one should not rely on government guarantees, whose actions not once caused bankruptcy for depositors. Still others who were interviewed pointed out that introduction of DIS and coverage increase enhanced their confidence in banks and has been indication of banking system stability for them.

Absolute majority of high-income group's respondents express negative attitude towards the idea of irrevocable deposits. The basic reason for such negative approach – it is impossible to anticipate beforehand the need to withdraw funds for more profitable investments, which could arise on a situational basis.

The results of in-depth interviews for high-income groups' representatives have shown principal differences in their investment behavior from other Russian citizens with lower earnings. The above, first of all, is explained by weak motivation to make long-term investments on organized markets, including into bank deposits. Taking into account the fact that this group's representatives shape up considerable part of retail deposit base, changes or fluctuations in their preferences have a serious impact on the banking system long –term development.

## Appendix 4

### Copy of a Previous Brochure on the DIS in Russia<sup>676</sup>

# Справочник вкладчика

## Вклады застрахованы



Система  
Страхования  
Вкладов



### Что делать при наступлении страхового случая

1. Получить достоверную информацию о наступлении страхового случая в отношении Вашего банка.
2. Узнать о процедуре получения страхового возмещения, месте и дате начала выплаты.
3. Заполнить заявление.
4. Предъявить заявление и документ, удостоверяющий личность, по месту осуществления выплаты страхового возмещения.
5. Получить страховое возмещение.
6. Оставшиеся требования к банку, не покрытые страховой, заявить конкурсному управляющему (ликвидатору банка).



### Какие документы приготовить

- документ, удостоверяющий личность, на основании которого был открыт вклад;
- заявление по установленной форме. Бланк заявления можно получить в банке-агенте или в АСВ, а также распечатать с сайта Агентов.

### Где получить информацию

- горячая линия АСВ 8-800-200-08-05 (бесплатный звонок по России)
- интернет-сайт АСВ [www.asv.org.ru/guide](http://www.asv.org.ru/guide) (раздел «Справочник вкладчика»)



Август 2006 г.

### Как осуществляются выплаты

Выплата страхового возмещения производится в рублях следующими способами по выбору вкладчика:

- наличными;
- банковским переводом по указанным вкладчиком реквизитам на счет в российском банке.

### Где производится прием заявлений и выплаты

Приним заявления и выплата страхового возмещения производится непосредственно в АСВ либо в банке-агенте, действующем от его имени. При выборе банка-агента учитываются расположение его отделений для максимального удобства вкладчиков. Адреса и режимы работы отделений банка-агента публикуются АСВ в местной прессе, а также сообщаются письмом каждому вкладчику.

### Сколько времени займет получение страховки

| Масс. срок | Событие   | Где найти информацию   |
|------------|---|--|
| 1-й день   | Наступление страхового случая   |  |
| 7-й день   | Предоставление банком в АСВ реестра (списка) обязательств банка перед вкладчиками                               | <a href="http://www.asv.org.ru">www.asv.org.ru</a><br>тел. 8-800-200-08-05 |
| 14-й день  | АСВ определяет банк-агент, через который будут осуществлены выплаты   | в банке, в котором был открыт вклад<br>в местной прессе                    |
| 15-й день  | Начало выплаты страхового возмещения  |  |
| 37-й день  | Направление вкладчикам писем о месте, времени, форме и порядке приема заявления и выплаты страхового возмещения | в своем почтовом ящике   |

Страховые выплаты осуществляются в течение трех дней со дня подачи заявления в банк-агент. Как правило, они производятся в день обращения.

Вкладчик вправе обратиться за страховым возмещением до окончания процедуры банкротства (ликвидации) банка.

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<sup>676</sup> Brochure "Spravochnik vkladchika" (first edition), issued by the DIA in August 2006.



## Что такое Система обязательного страхования вкладов

Система страхования вкладов (СВ) — специальная государственная программа, реализуемая в соответствии с Федеральным законом «О страховании вкладов физических лиц в банках Российской Федерации». Ее основная задача — защита сбережений населения, размещаемых в российских банках. Она позволяет вкладчикам при отзыве у банка лицензии (страховом случае) получить страховое возмещение в пределах 180 тысяч рублей\*. Механизм страхования вкладов максимально прост и не требует от вкладчика никаких предварительных действий: вклады и счета (далее — вклады) частных лиц страхуются автоматически со дня вхождения банка в СВ.

\* Применяется с 8 августа 2006 года.



## Об Агентстве по страхованию вкладов

Государственная корпорация «Агентство по страхованию вкладов» (АСВ) — некоммерческая организация, созданная государством для защиты интересов вкладчиков и обеспечения работы системы страхования вкладов. АСВ действует на основании федерального закона «О страховании вкладов физических лиц в банках Российской Федерации». Именно АСВ осуществляет выплату физическим лицам возмещения по вкладам.

## Какие вклады застрахованы

Страхованию подлежат все денежные средства физических лиц, находящиеся во вкладах и на счетах в банке, за исключением:

- вкладов на предъявителя;
- средств, переданных банком в доверительное управление;
- вкладов в филиалы российских банков, находящихся за границей;
- средств на счетах физических лиц - предпринимателей без образования юридического лица, открытых в связи с предпринимательской деятельностью.

## Размер страхового возмещения

Размер страхового возмещения составляет 100% суммы всех вкладов в банке, не превышающей 100 тысяч рублей, плюс 90% суммы, превышающей 100 тысяч рублей, но не более 190 тысяч рублей в совокупности, независимо от количества открытых счетов.

Проценты по вкладу, которые в соответствии с договором должны быть начислены на дату наступления страхового случая (капитализированные проценты), являются застрахованными.

## Как рассчитывается страховое возмещение

Валютные вклады переоцениваются в рубль по курсу Банка России на дату наступления страхового случая.

Если вкладчик имеет денежные обязательства перед банком (например, кредит), размер страхового возмещения определяется исходя из общей суммы застрахованных средств вкладчика за вычетом его обязательств перед банком.

**Пример**  
Вкладчик имеет в банке два вклада на общую сумму 180 000 руб. Причитающиеся вкладчику проценты по вкладам, рассчитанные на день наступления страхового случая, составляют 2 000 руб. Неполученный остаток потребительского кредита, взятого вкладчиком в этом банке, составляет 10 000 руб., а проценты по нему — 2 000 руб.

Размер обязательства банка перед вкладчиком:  
 $180\,000 + 2\,000 = 182\,000$  (руб.).

Размер обязательства вкладчика:  
 $10\,000 + 2\,000 = 12\,000$  (руб.).

Размер обязательства банка за вычетом требований к вкладчику:  
 $182\,000 - 12\,000 = 170\,000$  (руб.).

Размер страхового возмещения для вкладчика:  
 $100\,000 \times 100\% + 50\,000 \times 90\% = 145\,000$  (руб.).

Вкладчик получает информацию о причитающейся ему сумме страхового возмещения при обращении в банк-агент, а также письмом от АСВ.



руб.

| Вариант | Сумма вклада, включая капитализированные проценты | Страховое возмещение | Остаток, не покрытый страховкой* |
|---------|---|----------------------|----------------------------------|
| 1       | 50 000  | 50 000               | -                                |
| 2       | 100 000   | 100 000              | -                                |
| 3       | 150 000   | 145 000              | 5 000                            |
| 4       | 200 000   | 180 000              | 10 000                           |
| 5       | 300 000   | 180 000              | 110 000                          |

\* Если сумма вклада(ов) превышает страховое возмещение, то остаток вкладов, не покрытый страховой, можно получить в рамках процедуры банкротства (ликвидации) банка.

## Appendix 5

### Copy of the Most Recent Brochure on the DIS in Russia<sup>677</sup>

### Полезные советы

Убедитесь, что организация, в которой вы собираетесь сделать вклад, является банком – участником системы страхования вкладов (имеет соответствующую лицензию Банка России). Некоторые учреждения маскируются под банки, предлагая высокие проценты и уводящая об отсутствии соответствующих гарантий.

Внимательно проверяйте правильность написания вашего имени, паспортных данных и почтового адреса в договоре вклада. Всегда сообщайте банку об изменениях – это позволит без проблем найти вас в числе вкладчиков при выплате страховки, а также доставить вам необходимую информацию по почте.

Помните, что застрахованы не только внесенная во вклад сумма, но и «набежавшие» проценты. Они рассчитываются пропорционально фактическому сроку вклада до дня наступления страхового случая.

Для того чтобы под полную защиту попали ваши накопления свыше **700 тыс. рублей**, их целесообразно разместить в разных банках.

Приходите за страховой в любое удобное для вас время – на это есть год - полтора до окончания процедуры банкротства банка. По возможности, не спешите за получением страховки в первый день выплат – могут быть очереди.

Если у вас нет возможности обратиться в банк-агент, направьте в Агентство по почте заявление, заверенное у нотариуса, и получите страховку почтовым переводом или на счет в другом банке.

В буклете содержится краткое описание механизмов действия ССВ. Для получения полной информации читайте Федеральный закон «О страховании вкладов физических лиц в банках Российской Федерации».

### Как получить страховку

**День отзыва лицензии**  
Узнать о наступлении страхового случая.

Узнать о месте проведения выплат (как правило, выплаты осуществляются в тех же населенных пунктах, где принимались вклады).

Прийти в банк-агент (банк, выбранный Агентством для выплаты страховки) с паспортом, заполнить заявление.

**Получить страховку:**

- на банковский счет;
- наличными (как правило, в день обращения, хотя закон предусматривает на выплаты три дня).

### Где получить информацию?

- в самом банке
- по телефону горячей линии АСВ **8-800-200-08-05**
- на сайте **www.asv.org.ru**
- в местной прессе
- из писем на почтовый адрес вкладчика



### Справочник вкладчика

**Вклады застрахованы**

Система Страхования Вкладов

**Как вернуть 700 000 руб. через 14 дней**

Действительно с 1 октября 2008 года

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<sup>677</sup> Brochure “Spravochnik vkladchika” (third and current edition), issued by the DIA in October 2008.





## Что такое система обязательного страхования вкладов

Если вы доверили свои деньги любому банку в России (например, открыли счет, сделали вклад, получаете зарплату на пластиковую карту), у вас **автоматически** возникает право на получение в кратчайшие сроки компенсации

до **700 тыс. рублей** включительно в случае отзыва у банка лицензии (наступления страхового случая).

Для этого существует **система страхования вкладов (ССВ)** – специальная государственная программа, реализуемая в соответствии с Федеральным законом «О страховании вкладов физических лиц в банках Российской Федерации». Ее основная задача – защита сбережений населения, размещаемых в российских банках. Работу ССВ и проведение выплат организует и осуществляет государственная корпорация «Агентство по страхованию вкладов».



## Какие вклады застрахованы

Страхованием подлежат **денежные средства физических лиц, независимо от гражданства, находящиеся во вкладах и на счетах в банке, в том числе:**

- срочные вклады и вклады до востребования, включая валютные вклады;
- текущие счета, используемые для расчетов по банковским (пластиковым) картам, для получения зарплат, пенсий или стипендий.

### Не застрахованы

- вклады на предъявителя;
- средства, переданные банку в доверительное управление;
- вклады в зарубежных филиалах российского банка;
- средства на счетах индивидуальных предпринимателей, адвокатов, нотариусов и иных лиц, если эти счета были открыты для осуществления ими предпринимательской и профессиональной деятельности;
- денежные переводы без открытия счета;
- средства на обезличенных металлических счетах.



## Как рассчитывается страховое возмещение

### Пример

У жены Виктора Ивановича Маргариты Павловны в том же банке зарплатная карта (счет) с остатком

600 тыс. руб.

Первый вклад он открыл год назад в филиале банка рядом с домом – под 10% годовых.

600 тыс. руб.

Другой вклад он открыл полгода назад в филиале того же банка рядом с работой – под 8% годовых.

200 тыс. руб.

Какую сумму страховки получит Виктор Иванович?

200 тыс. руб.

200 тыс. руб.

200 тыс. руб.

В том же банке она взяла кредит. На момент отзыва лицензии долг по кредиту составил

30 тыс. руб.

30 тыс. руб.

Что будет с деньгами Маргариты Павловны?

Добавляем к вкладам проценты согласно условиям договоров и срокам вкладов.

$600 + 60$  (10% от 600) = 660 (тыс. руб.)  
 $200 + 8$  (8% от 200) = 208 (тыс. руб.)

Суммируем вклады по всем филиалам банка.

$660 + 208 = 868$  (тыс. руб.)

Если вкладчик получил в том же банке кредит, долг по нему и проценты на дату отзыва лицензии при расчете страхового возмещения вычитаются из общей суммы обязательств банка перед вкладчиком.

$868 - 30 = 838$  (тыс. руб.)

**Правила расчета страховки**  
1 Рассчитываются и причисляются проценты по вкладам (счетом) на дату отзыва лицензии.

2 Остатки всех вкладов (счетов), открытых вкладчиком в одном банке (включая его филиалы и прочие структурные подразделения), суммируются.

3 Из суммы на зарплатной карте вычитаем долг по кредиту.

$200 - 30 = 170$  (тыс. руб.)

4 Валютные вклады (счета) пересчитываются в рубли по курсу Банка России на дату отзыва лицензии.

Виктор Иванович получит максимально возможную страховку – 700 тыс. руб.

700 тыс. руб.

Банк-агент

Маргарита Павловна получит страховое возмещение в размере 170 тыс. руб.

170 тыс. руб.

Остаток средств в размере 168 тыс. руб. Виктор Иванович имеет право получить, заявив свое требование в рамках процедуры банкротства банка.

## Appendix 6

### Results of the Pilot Retail Depositor Survey

The pilot retail depositor survey took place at one of the branches of Bank Saint-Petersburg on 17 October 2007. The pilot survey was conducted face-to-face.

The questionnaire (including the distribution of responses) is presented below, followed by the overview of the results.

#### Questionnaire

The questionnaire used for the pilot retail depositor survey consisted of 15 questions (11 closed questions and 4 open questions).

**Question 1: Do you have a bank deposit or cash card account, including through the ‘salary project’, in this bank?**

|  |   |
|--|---|
| Yes, I have a bank deposit                                   | 4 |
| Yes, I have a cash card account                              | 2 |
| Yes, I have a cash card account through the ‘salary project’ | 5 |
| No   | 0 |

**Question 1a: (*If the cash card account is through the ‘salary project’*) Who opened this account for you?**

|             |   |
|-------------|---|
| Myself      | 0 |
| My employer | 5 |

**Question 2: What is the value of your bank deposit/cash card account in this bank?**

|                                    |   |
|------------------------------------|---|
| Less than RUB 100,000              | 0 |
| RUB 100,001-200,000                | 3 |
| RUB 200,001-300,000                | 0 |
| RUB 300,001-400,000 <sup>678</sup> | 0 |
| More than RUB 400,001              | 1 |

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<sup>678</sup> RUB 400,000 was the maximum compensation amount at the time.

**Question 3: Was your bank deposit/cash card account opened before or after 25 November 2004<sup>679</sup>**

|                         |    |
|-------------------------|----|
| Before 25 November 2004 | 0  |
| After 25 November 2004  | 10 |

**Question 4a: (*If before 25 November 2004*) Were you informed by the bank about its inclusion in the DIS?**

|  |     |
|--|-----|
| Yes, I received information by post            | N/A |
| Yes, I received information over the phone     | N/A |
| Yes, I received information in the bank branch | N/A |
| No, I was not informed                         | N/A |

**Question 4b.1: (*If after 25 November 2004*) What was your reason to open a bank deposit/cash card account in this bank?**

|   |   |
|---|---|
| High level of customer service                              | 1 |
| Bank's reputation   | 1 |
| Better conditions of the contract (compared to other banks) |   |
| Interest rates  | 3 |
| Term of contract  | 0 |
| Both interest rates and term of contract                    | 1 |
| Recommendation by family member, friend, other person       | 0 |
| Other   | 5 |

**Question 4b.2: (*If after 25 November 2004*) Were you informed by the bank about the DIS when the bank deposit/cash card account was opened?**

|   |   |
|---|---|
| Yes, I read about it at the information stand at the bank branch before opening the account | 0 |
| Yes, I received information from the clerk at the time of opening the account               | 1 |
| Yes, I saw it in the text of the contract at the time of opening the account                | 2 |
| No, I have received no such information   | 8 |

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<sup>679</sup> Date of inclusion of Bank Saint-Petersburg to the DIS register.

**Question 5: Is your bank a member of the DIS?**

|             |   |
|-------------|---|
| Yes         | 6 |
| No          | 0 |
| Do not know | 4 |

**Question 6: How do you rate your knowledge about the DIS on a scale of 1 to 5 (where 1 – “have no knowledge” and 5 – “know everything or almost everything”)?**

|   |   |
|---|---|
| 1 | 5 |
| 2 | 0 |
| 3 | 2 |
| 4 | 2 |
| 5 | 1 |

**Question 7: Please explain, in your own words, how the DIS works?**

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**Question 8: Who are the main parties of the DIS (who participates in the deposit insurance relationship)?**

|                          |   |
|--------------------------|---|
| Central Bank of Russia   | 3 |
| Government of Russia     | 1 |
| Depositor                | 4 |
| Bank                     | 5 |
| Deposit Insurance Agency | 5 |

**Question 9: What is the maximum deposit insurance compensation amount?**

|                       |   |
|-----------------------|---|
| RUB 100,000           | 1 |
| RUB 190,000           | 0 |
| RUB 370,000           | 0 |
| RUB 400,000           | 5 |
| More than RUB 500,000 | 0 |

**Question 10: From which funds is the deposit insurance compensation paid?**

|                                   |   |
|-----------------------------------|---|
| Government of Russia              | 1 |
| Deposit Insurance Agency          | 0 |
| Central Bank of Russia            | 6 |
| Bank where the account was opened | 3 |

**Question 11: How do you receive information about changes in the DIS?**

|  |   |
|--|---|
| TV   | 4 |
| Printed press                              | 3 |
| From family members, friends, other people | 2 |
| Radio                                      | 1 |
| Internet                                   | 4 |
| Bank branch                                | 0 |
| Other                                      | 3 |

**Question 12: How would you improve the dissemination of information about the DIS?**

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**Question 13: What benefit, in your opinion, has the DIS brought to depositors?**

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**Question 14: How did your confidence in the banking system change following the introduction of the DIS?**

|                           |   |
|---------------------------|---|
| Confidence increased      | 3 |
| Confidence decreased      | 0 |
| Confidence did not change | 6 |

**Question 15: Did your saving behaviour change following the introduction of the DIS?**  
**If so, how?**

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## **Overview of the Results**

10 depositors participated in the pilot retail depositor survey: 5 males and 5 females. The age groups were as follows: <25 years – 2 people, 25-34 years – 4people, 55-64 years – 2people, ≥65 years – 2 people.

The main results included the following:

**Comment on Question 1:** Of the 10 respondents, only 5 opened their bank account (either current or savings account) themselves. The current accounts of the other 5 were opened by their employer, and they only had a debit card (usually Visa Electron) through the ‘salary project’.

**Comment on Questions 1a, 6 and 9:** 3 out of the 5 respondents on the ‘salary project’ did not know anything about the DI compensation amount, and 1 thought it was RUB 100,000. However, 2 of these respondents ranked their knowledge of DIS as 4 and 5 accordingly (on a scale of 1 to 5, where 5 is the highest).

**Comment on Question 2:** The greatest knowledge of the DIS (most correct answers compared to other respondents) was shown by a respondent with a savings account of more than RUB 400,001.

**Comment on Questions 3 and 4b.2:** All respondents opened their bank account after 25 November 2004 (which was the date of acceptance of this bank into the DIS); however, 8 out of 10 respondents said they did not receive any information from the bank on this matter (neither at the time of opening of the account, nor at a later stage).

**Comment on Question 5:** 4 respondents did not know whether their bank was a member of the DIS.



**Comment on Question 10:** None of the respondents said that the DI compensation comes from the DIA, while 6 respondents thought the coverage is provided by the CBR.

**Comment on Question 11:** None of the respondents said that they received information on changes in the DIS from the bank branch.

**Comment on Question 14:** 6 out of 10 respondents said their confidence in the banking system did not change following the introduction of the DIS.

# Appendix 7

## Questionnaire for Banks A1, B1, C1 and D1



### ОПРОС «РАБОТА СИСТЕМЫ СТРАХОВАНИЯ ВКЛАДОВ В РОССИИ»

Уважаемый клиент [REDACTED]:

Предлагаем Вам принять участие в исследовании работы системы страхования вкладов в России, ответив на вопросы данной анкеты.

Основные цели исследования – установление уровня осведомленности жителей России о системе страхования вкладов и определение роли банков в информировании населения об этой системе. Исследование проводится на базе Де Монтфортского университета (Великобритания) при поддержке Ассоциации банков Северо-Запада.

Для нас очень важно Ваше мнение по каждому вопросу. Пожалуйста, выберите наиболее подходящий для Вас ответ и отметьте его любым знаком в соответствующей ячейке. Процесс заполнения анкеты не займет более 5 минут. Все Ваши ответы будут обработаны и использованы для проведения мероприятий по улучшению информирования населения России о работе системы страхования вкладов.

Данный опрос носит анонимный характер. Заполнение данной анкеты не потребует от Вас указания никакой персональной информации, кроме пола и возрастной категории, которые необходимы для полноты статистической обработки данных.

Заранее благодарим Вас за помощь и участие в нашем исследовании!

|                                 |   |  |  |
|---------------------------------|---|--|--|
| Пол: <input type="checkbox"/> М | Возраст: <input type="checkbox"/> до 25 лет | <input type="checkbox"/> от 26 до 35 лет | <input type="checkbox"/> от 36 до 45 лет   |
| <input type="checkbox"/> Ж      | <input type="checkbox"/> от 46 до 55 лет    | <input type="checkbox"/> от 56 до 65 лет | <input type="checkbox"/> от 66 лет и более |

**ВОПРОС 1: Какими банковскими продуктами (услугами) Вы пользуетесь в этом банке?** (Возможно несколько вариантов ответа)

- |   |  |
|---|--|
| <input type="checkbox"/> Срочный вклад (депозит)  | <input type="checkbox"/> Текущий (расчетный) счет        |
| <input type="checkbox"/> Карта по «зарплатному проекту»   | <input type="checkbox"/> Карта без «зарплатного проекта» |
| <input type="checkbox"/> Нет ни вклада, ни счета в этом банке (Пожалуйста, сразу перейдите к ВОПРОСУ 7) |  |

**ВОПРОС 2: Каков размер денежных средств, размещенных Вами в этом банке (в сумме по всем вкладам/текущим счетам)?** (Если Ваши денежные средства размещены в иностранной валюте, пожалуйста, укажите эквивалент в рублях)

- |   |   |
|---|---|
| <input type="checkbox"/> Менее 100 000 руб.         | <input type="checkbox"/> От 700 001 до 1 000 000 руб. |
| <input type="checkbox"/> От 100 001 до 400 000 руб. | <input type="checkbox"/> Более 1 000 001 руб.         |
| <input type="checkbox"/> От 400 001 до 700 000 руб. |   |

**ВОПРОС 3: Чем Вы руководствовались при выборе этого банка для обслуживания Вашего вклада/текущего счета?** (Возможно несколько вариантов ответа)

- |   |   |
|---|---|
| <input type="checkbox"/> Высокий уровень обслуживания клиентов                                | <input type="checkbox"/> Рекомендация члена семьи, друга, другого лица                |
| <input type="checkbox"/> Репутация банка  | <input type="checkbox"/> Участие этого банка в системе страхования вкладов            |
| <input type="checkbox"/> Лучшие (по сравнению с другими банками) процентные ставки по вкладам | <input type="checkbox"/> Участие моей организации-работодателя в «зарплатном проекте» |
| <input type="checkbox"/> Лучшие (по сравнению с другими банками) сроки договора               | <input type="checkbox"/> Другое (Пожалуйста, напишите _____)                          |

Версия А1

**ВОПРОС 4: Является ли этот банк членом системы страхования вкладов населения?**

☐ Да ☐ Нет ☐ Не знаю

**ВОПРОС 5: Насколько Вы уверены в сохранности Ваших денежных средств в этом банке?**

☐ Совершенно уверен(а) ☐ Скорее не уверен(а)  
☐ Скорее уверена(а) ☐ Совершенно не уверен(а)

**ВОПРОС 6: Были ли Вы проинформированы этим банком о системе страхования вкладов при открытии вклада/текущего счета? (Возможно несколько вариантов ответа)**

☐ Да, я прочитал(а) об этом на стендах в отделении банка до открытия вклада/текущего счета ☐ Да, я увидел(а) информацию в тексте договора во время открытия вклада/текущего счета  
☐ Да, я получил(а) информацию от сотрудника банка во время открытия вклада/текущего счета ☐ Нет, я не получил(а) такой информации от этого банка

**ВОПРОС 7: Как Вы оцениваете Ваши знания о системе страхования вкладов по пятибалльной шкале (где 1 – «ничего не знаю» и 5 – «знаю все или практически все»)?**

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

**ВОПРОС 8: Какова максимальная сумма страхового возмещения по вкладу/текущему счету?**

☐ 100 000 руб. ☐ 400 000 руб.  
☐ 700 000 руб. ☐ 1 000 000 руб.  
☐ Максимальной суммы страхового возмещения не существует ☐ Не знаю

**ВОПРОС 9: Кто несет ответственность за организацию страхового возмещения по вкладу/текущему счету при наступлении страхового случая?**

☐ Правительство РФ ☐ Центральный банк РФ  
☐ Агентство по страхованию вкладов ☐ Банк, обслуживающий вклад/текущий счет  
☐ Не знаю

**ВОПРОС 10: Каким образом Вы предпочли бы получать информацию о системе страхования вкладов? (Возможно несколько вариантов ответа)**

☐ По телевидению ☐ По радио  
☐ В печатных изданиях (газеты, журналы) ☐ В сети Интернет  
☐ От члена семьи, друга, другого лица ☐ В отделении банка  
☐ Другое (Пожалуйста, напишите \_\_\_\_\_)

**ВОПРОС 11: Чувствуете ли Вы, что Ваши права как вкладчика более защищены после введения системы страхования вкладов в 2004 году?**

☐ Да ☐ Нет ☐ Не знаю

**ВОПРОС 12: Каким образом изменилось Ваше доверие к банковской системе после введения системы страхования вкладов в 2004 году?**

☐ Доверие повысилось ☐ Доверие понизилось ☐ Доверие осталось без изменений

**ВОПРОС 13: Каким образом изменилось Ваше поведение по отношению к сбережениям после введения системы страхования вкладов в 2004 году?**

- ☐ Я увеличил(а) сумму вклада в связи с введением системы страхования вкладов
- ☐ Я увеличил(а) сумму вклада вне зависимости от введения системы страхования вкладов
- ☐ Я не увеличил(а) сумму вклада несмотря на введение системы страхования вкладов
- ☐ Мое поведение по отношению к сбережениям осталось без изменений

**ВОПРОС 14: В какой степени Вы согласны или не согласны с каждым из следующих высказываний? (Пожалуйста, отметьте только один вариант ответа по каждому из высказываний)**

|   | Совершенно согласен      | Скорее согласен          | Скорее не согласен       | Совершенно не согласен   |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Я получаю достаточно информации по системе страхования вкладов в этом банке.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Я знаю, где найти дополнительную информацию о системе страхования вкладов.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Введение системы страхования вкладов в большой мере повлияло на изменение моего поведения по отношению к сбережениям. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Введение системы страхования вкладов в большой мере повлияло на изменение моего доверия к банковской системе.         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Я советую членам моей семьи и друзьям хранить денежные средства во вкладах.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**ВОПРОС 15: Слышали ли Вы что-либо об изменении основных параметров системы страхования вкладов, произошедшем в октябре 2008 года?**

- ☐ Да, я хорошо знаком(а) с этими изменениями
- ☐ Да, я кое-что слышал(а), но подробностей не знаю
- ☐ Нет, я впервые слышу об этом (Пожалуйста, сразу перейдите к ВОПРОСУ 17)

**ВОПРОС 16: Каким образом Вы узнали об изменении основных параметров системы страхования вкладов, произошедшем в октябре 2008 года? (Возможно несколько вариантов ответа)**

- ☐ По телевидению
- ☐ По радио
- ☐ В печатных изданиях (газеты, журналы)
- ☐ В сети Интернет
- ☐ От члена семьи, друга, другого лица
- ☐ В отделении банка
- ☐ Другое (Пожалуйста, напишите \_\_\_\_\_)

**ВОПРОС 17: В октябре 2008 года произошло увеличение суммы страхового возмещения по вкладам/текущим счетам. Каким образом Вы отреагировали/планируете отреагировать на это нововведение? (Возможно несколько вариантов ответа)**

- ☐ Я увеличил(а)/планирую увеличить сумму вклада в этом банке
- ☐ Я открыл(а)/планирую открыть новый вклад в другом банке
- ☐ Я не планирую ничего из вышеперечисленного

**ВОПРОС 18: Изменилось ли Ваше доверие к банковской системе после увеличения суммы страхового возмещения в октябре 2008 года?**

- ☐ Доверие повысилось (по сравнению с уровнем доверия на сентябрь 2008 года)
- ☐ Доверие понизилось (по сравнению с уровнем доверия на сентябрь 2008 года)
- ☐ Доверие осталось без изменений (по сравнению с уровнем доверия на сентябрь 2008 года)

Благодарим Вас за заполнение данной анкеты!

Пожалуйста, верните анкету сотруднику банка.

Версия А1

## Appendix 8

### Questionnaire for Bank A2

#### ОПРОС «РАБОТА СИСТЕМЫ СТРАХОВАНИЯ ВКЛАДОВ В РОССИИ»

Уважаемый клиент [REDACTED]!

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Основные цели исследования – установление уровня осведомленности жителей России о системе страхования вкладов и определение роли банков в информировании населения об этой системе. Исследование проводится на базе Де Монтфортского университета (Великобритания) при поддержке Ассоциации банков Северо-Запада.

Для нас очень важно Ваше мнение по каждому вопросу. Пожалуйста, выберите наиболее подходящий для Вас ответ и отметьте его любым знаком в соответствующей ячейке. Процесс заполнения анкеты не займет более 5 минут. Все Ваши ответы будут обработаны и использованы для проведения мероприятий по улучшению информирования населения России о работе системы страхования вкладов.

Данный опрос носит анонимный характер. Заполнение данной анкеты не потребует от Вас указания никакой персональной информации, кроме пола и возрастной категории, которые необходимы для полноты статистической обработки данных.

Заранее благодарим Вас за помощь и участие в нашем исследовании!

|                                 |   |  |  |
|---------------------------------|---|--|--|
| Пол: <input type="checkbox"/> М | Возраст: <input type="checkbox"/> до 25 лет | <input type="checkbox"/> от 26 до 35 лет | <input type="checkbox"/> от 36 до 45 лет   |
| <input type="checkbox"/> Ж      | <input type="checkbox"/> от 46 до 55 лет    | <input type="checkbox"/> от 56 до 65 лет | <input type="checkbox"/> от 66 лет и более |

**ВОПРОС 1: Какими банковскими продуктами (услугами) Вы пользуетесь в этом банке? (Возможно несколько вариантов ответа)**

- |   |  |
|---|--|
| <input type="checkbox"/> Срочный вклад (депозит)  | <input type="checkbox"/> Текущий (расчетный) счет        |
| <input type="checkbox"/> Карта по «зарплатному проекту»   | <input type="checkbox"/> Карта без «зарплатного проекта» |
| <input type="checkbox"/> Нет ни вклада, ни счета в этом банке (Пожалуйста, сразу перейдите к ВОПРОСУ 6) |  |

**ВОПРОС 2: Каков размер денежных средств, размещенных Вами в этом банке (в сумме по всем вкладам/текущим счетам)? (Если Ваши денежные средства размещены в иностранной валюте, пожалуйста, укажите эквивалент в рублях)**

- |   |   |
|---|---|
| <input type="checkbox"/> Менее 100 000 руб.         | <input type="checkbox"/> От 700 001 до 1 000 000 руб. |
| <input type="checkbox"/> От 100 001 до 400 000 руб. | <input type="checkbox"/> Более 1 000 001 руб.         |
| <input type="checkbox"/> От 400 001 до 700 000 руб. |   |

**ВОПРОС 3: Чем Вы руководствовались при выборе этого банка для обслуживания Вашего вклада/текущего счета? (Возможно несколько вариантов ответа)**

- |   |   |
|---|---|
| <input type="checkbox"/> Высокий уровень обслуживания клиентов                                | <input type="checkbox"/> Рекомендация члена семьи, друга, другого лица                |
| <input type="checkbox"/> Репутация банка  | <input type="checkbox"/> Участие этого банка в системе страхования вкладов            |
| <input type="checkbox"/> Лучшие (по сравнению с другими банками) процентные ставки по вкладам | <input type="checkbox"/> Участие моей организации-работодателя в «зарплатном проекте» |
| <input type="checkbox"/> Лучшие (по сравнению с другими банками) сроки договора               | <input type="checkbox"/> Другое (Пожалуйста, напишите _____)                          |

Версия A2

**ВОПРОС 4: Является ли этот банк членом системы страхования вкладов населения?**

☐ Да ☐ Нет ☐ Не знаю

**ВОПРОС 5: Были ли Вы проинформированы этим банком о системе страхования вкладов при открытии вклада/текущего счета? (Возможно несколько вариантов ответа)**

☐ Да, я прочитал(а) об этом на стендах в отделении банка до открытия вклада/текущего счета ☐ Да, я увидел(а) информацию в тексте договора во время открытия вклада/текущего счета  
☐ Да, я получил(а) информацию от сотрудника банка во время открытия вклада/текущего счета ☐ Нет, я не получил(а) такой информации от этого банка

**ВОПРОС 6: Как Вы оцениваете Ваши знания о системе страхования вкладов по пятибалльной шкале (где 1 – «ничего не знаю» и 5 – «знаю все или практически все»)?**

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

**ВОПРОС 7: Какова максимальная сумма страхового возмещения по вкладу/текущему счету?**

☐ 100 000 руб. ☐ 400 000 руб.  
☐ 700 000 руб. ☐ 1 000 000 руб.  
☐ Максимальной суммы страхового возмещения не существует ☐ Не знаю

**ВОПРОС 8: Кто несет ответственность за организацию страхового возмещения по вкладу/текущему счету при наступлении страхового случая?**

☐ Правительство РФ ☐ Центральный банк РФ  
☐ Агентство по страхованию вкладов ☐ Банк, обслуживающий вклад/текущий счет  
☐ Не знаю

**ВОПРОС 9: Каким образом Вы предпочли бы получать информацию о системе страхования вкладов? (Возможно несколько вариантов ответа)**

☐ По телевидению ☐ По радио  
☐ В печатных изданиях (газеты, журналы) ☐ В сети Интернет  
☐ От члена семьи, друга, другого лица ☐ В отделении банка  
☐ Другое (Пожалуйста, напишите \_\_\_\_\_)

**ВОПРОС 10: Чувствуете ли Вы, что Ваши права как вкладчика более защищены после введения системы страхования вкладов в 2004 году?**

☐ Да ☐ Нет ☐ Не знаю

**ВОПРОС 11: Каким образом изменилось Ваше доверие к банковской системе после введения системы страхования вкладов в 2004 году?**

☐ Доверие повысилось ☐ Доверие понизилось ☐ Доверие осталось без изменений

**ВОПРОС 12: Каким образом изменилось Ваше поведение по отношению к сбережениям после введения системы страхования вкладов в 2004 году?**

☐ Я увеличил(а) сумму вклада в связи с введением системы страхования вкладов ☐ Я не увеличил(а) сумму вклада несмотря на введение системы страхования вкладов  
☐ Я увеличил(а) сумму вклада вне зависимости от введения системы страхования вкладов ☐ Мое поведение по отношению к сбережениям осталось без изменений



**ВОПРОС 13: В какой степени Вы согласны или не согласны с каждым из следующих высказываний?** (Пожалуйста, отметьте только один вариант ответа по каждому из высказываний)

|   | Совершенно согласен      | Скорее согласен          | Скорее не согласен       | Совершенно не согласен   |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Я получаю достаточно информации по системе страхования вкладов в этом банке.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Я знаю, где найти дополнительную информацию о системе страхования вкладов.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Введение системы страхования вкладов в большой мере повлияло на изменение моего поведения по отношению к сбережениям. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Введение системы страхования вкладов в большой мере повлияло на изменение моего доверия к банковской системе.         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Я советую членам моей семьи и друзьям хранить денежные средства во вкладах.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**ВОПРОС 14: Слышали ли Вы что-либо об изменении основных параметров системы страхования вкладов, произошедшем в октябре 2008 года?**

- ☐ Да, я хорошо знаком(а) с этими изменениями ☐ Да, я кое-что слышал(а), но подробностей не знаю
- ☐ Нет, я впервые слышу об этом (Пожалуйста, сразу перейдите к ВОПРОСУ 16)

**ВОПРОС 15: Каким образом Вы узнали об изменении основных параметров системы страхования вкладов, произошедшем в октябре 2008 года?** (Возможно несколько вариантов ответа)

- ☐ По телевидению ☐ По радио
- ☐ В печатных изданиях (газеты, журналы) ☐ В сети Интернет
- ☐ От члена семьи, друга, другого лица ☐ В отделении банка
- ☐ Другое (Пожалуйста, напишите \_\_\_\_\_)

**ВОПРОС 16: В октябре 2008 года произошло увеличение суммы страхового возмещения по вкладам/текущим счетам. Каким образом Вы отреагировали/планируете отреагировать на это нововведение?** (Возможно несколько вариантов ответа)

- ☐ Я увеличил(а)/планирую увеличить сумму вклада в этом банке ☐ Я открыл(а)/планирую открыть новый вклад в другом банке
- ☐ Я не планирую ничего из вышеперечисленного

**ВОПРОС 17: Изменилось ли Ваше доверие к банковской системе после увеличения суммы страхового возмещения в октябре 2008 года?**

- ☐ Доверие повысилось (по сравнению с уровнем доверия на сентябрь 2008 года) ☐ Доверие понизилось (по сравнению с уровнем доверия на сентябрь 2008 года)
- ☐ Доверие осталось без изменений (по сравнению с уровнем доверия на сентябрь 2008 года)

Благодарим Вас за заполнение данной анкеты!

Пожалуйста, верните анкету сотруднику банка.

## Appendix 9

### Questionnaire for Bank D2



#### ОПРОС «РАБОТА СИСТЕМЫ СТРАХОВАНИЯ ВКЛАДОВ В РОССИИ»

Уважаемый клиент [REDACTED]!

Предлагаем Вам принять участие в исследовании работы системы страхования вкладов в России, ответив на вопросы данной анкеты.

Основные цели исследования – установление уровня осведомленности жителей России о системе страхования вкладов и определение роли банков в информировании населения об этой системе. Исследование проводится на базе Де Монтфортского университета (Великобритания) при поддержке Ассоциации банков Северо-Запада.

Для нас очень важно Ваше мнение по каждому вопросу. Пожалуйста, выберите наиболее подходящий для Вас ответ и отметьте его любым знаком в соответствующей ячейке. Процесс заполнения анкеты не займет более 5 минут. Все Ваши ответы будут обработаны и использованы для проведения мероприятий по улучшению информирования населения России о работе системы страхования вкладов.

Данный опрос носит анонимный характер. Заполнение данной анкеты не потребует от Вас указания никакой персональной информации, кроме пола и возрастной категории, которые необходимы для полноты статистической обработки данных.

Заранее благодарим Вас за помощь и участие в нашем исследовании!

|                                 |   |  |  |
|---------------------------------|---|--|--|
| Пол: <input type="checkbox"/> М | Возраст: <input type="checkbox"/> до 25 лет | <input type="checkbox"/> от 26 до 35 лет | <input type="checkbox"/> от 36 до 45 лет   |
| <input type="checkbox"/> Ж      | <input type="checkbox"/> от 46 до 55 лет    | <input type="checkbox"/> от 56 до 65 лет | <input type="checkbox"/> от 66 лет и более |

**ВОПРОС 1: Какими банковскими продуктами (услугами) Вы пользуетесь в этом банке? (Возможно несколько вариантов ответа)**

- |   |  |
|---|--|
| <input type="checkbox"/> Срочный вклад (депозит)  | <input type="checkbox"/> Текущий (расчетный) счет        |
| <input type="checkbox"/> Карта по «зарплатному проекту»   | <input type="checkbox"/> Карта без «зарплатного проекта» |
| <input type="checkbox"/> Нет ни вклада, ни счета в этом банке (Пожалуйста, сразу перейдите к ВОПРОСУ 7) |  |

**ВОПРОС 2: Каков размер денежных средств, размещенных Вами в этом банке (в сумме по всем вкладам/текущим счетам)? (Если Ваши денежные средства размещены в иностранной валюте, пожалуйста, укажите эквивалент в рублях)**

- |   |  |
|---|--|
| <input type="checkbox"/> До 700 000 руб. включительно | <input type="checkbox"/> От 700 001 руб. |
|---|--|

**ВОПРОС 3: Чем Вы руководствовались при выборе этого банка для обслуживания Вашего вклада/текущего счета? (Возможно несколько вариантов ответа)**

- |   |   |
|---|---|
| <input type="checkbox"/> Высокий уровень обслуживания клиентов                                | <input type="checkbox"/> Рекомендация члена семьи, друга, другого лица                |
| <input type="checkbox"/> Репутация банка  | <input type="checkbox"/> Участие этого банка в системе страхования вкладов            |
| <input type="checkbox"/> Лучшие (по сравнению с другими банками) процентные ставки по вкладам | <input type="checkbox"/> Участие моей организации-работодателя в «зарплатном проекте» |
| <input type="checkbox"/> Лучшие (по сравнению с другими банками) сроки договора               | <input type="checkbox"/> Другое (Пожалуйста, напишите)                                |

Приглашаем Вас заполнить данную анкету, подготовленную Де Монтфортским университетом (Великобритания) для проведения опроса при поддержке Ассоциации банков Северо-Запада и Главного управления Центрального банка Российской Федерации по Санкт-Петербургу. Опрос проводится на условиях анонимности. Полученные ответы не будут обрабатываться или использоваться [REDACTED]. Убедительно просим Вас не указывать никаких данных в анкете или на конверте (Ваше имя, номер счета или карты и т.д.). Просим Вас запечатать заполненную анкету в конверт и опустить его в опечатанную коробку в одном из отделений [REDACTED] в городе Санкт-Петербурге до 31 марта 2009 года.  
Благодарим Вас за сотрудничество.  
Филиал [REDACTED] в городе Санкт-Петербурге

Версия D2



**ВОПРОС 4: Является ли этот банк членом системы страхования вкладов населения?**

☐ Да ☐ Нет ☐ Не знаю

**ВОПРОС 5: Насколько Вы уверены в сохранности Ваших денежных средств в этом банке?**

☐ Совершенно уверен(а) ☐ Скорее не уверен(а)  
☐ Скорее уверена(а) ☐ Совершенно не уверен(а)

**ВОПРОС 6: Были ли Вы проинформированы этим банком о системе страхования вкладов при открытии вклада/текущего счета? (Возможно несколько вариантов ответа)**

☐ Да, я прочитал(а) об этом на стендах в отделении банка до открытия вклада/текущего счета ☐ Да, я увидел(а) информацию в тексте договора во время открытия вклада/текущего счета  
☐ Да, я получил(а) информацию от сотрудника банка во время открытия вклада/текущего счета ☐ Нет, я не получил(а) такой информации от этого банка

**ВОПРОС 7: Как Вы оцениваете Ваши знания о системе страхования вкладов по пятибалльной шкале (где 1 – «ничего не знаю» и 5 – «знаю все или практически все»)?**

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

**ВОПРОС 8: Какова максимальная сумма страхового возмещения по вкладу/текущему счету?**

☐ 100 000 руб. ☐ 400 000 руб.  
☐ 700 000 руб. ☐ 1 000 000 руб.  
☐ Максимальной суммы страхового возмещения не существует ☐ Не знаю

**ВОПРОС 9: Кто несет ответственность за организацию страхового возмещения по вкладу/текущему счету при наступлении страхового случая?**

☐ Правительство РФ ☐ Центральный банк РФ  
☐ Агентство по страхованию вкладов ☐ Банк, обслуживающий вклад/текущий счет  
☐ Не знаю

**ВОПРОС 10: Каким образом Вы предпочли бы получать информацию о системе страхования вкладов? (Возможно несколько вариантов ответа)**

☐ По телевидению ☐ По радио  
☐ В печатных изданиях (газеты, журналы) ☐ В сети Интернет  
☐ От члена семьи, друга, другого лица ☐ В отделении банка  
☐ Другое (Пожалуйста, напишите \_\_\_\_\_)

**ВОПРОС 11: Чувствуете ли Вы, что Ваши права как вкладчика более защищены после введения системы страхования вкладов в 2004 году?**

☐ Да ☐ Нет ☐ Не знаю

**ВОПРОС 12: Каким образом изменилось Ваше доверие к банковской системе после введения системы страхования вкладов в 2004 году?**

☐ Доверие повысилось ☐ Доверие понизилось ☐ Доверие осталось без изменений

Приглашаем Вас заполнить данную анкету, подготовленную Де Монпартским университетом (Великобритания) для проведения опроса при поддержке Ассоциации банков Северо-Запада и Главного управления Центрального банка Российской Федерации по Санкт-Петербургу. Опрос проводится на условиях анонимности. Полученные ответы не будут обрабатываться или использоваться. Убедительно просим Вас не указывать личных данных в анкете или на конверте (Ваше имя, номер счета или карты и т.д.). Просим Вас запечатать заполненную анкету в конверт и опустить его в опечатанную коробку в одном из отделений \_\_\_\_\_ в городе Санкт-Петербурге до 31 марта 2009 года.  
Благодарим Вас за сотрудничество,  
Филиал \_\_\_\_\_ в городе Санкт-Петербурге

**ВОПРОС 13: Каким образом изменилось Ваше поведение по отношению к сбережениям после введения системы страхования вкладов в 2004 году?**

- ☐ Я увеличил(а) сумму вклада в связи с введением системы страхования вкладов
- ☐ Я не увеличил(а) сумму вклада несмотря на введение системы страхования вкладов
- ☐ Я увеличил(а) сумму вклада вне зависимости от введения системы страхования вкладов
- ☐ Мое поведение по отношению к сбережениям осталось без изменений

**ВОПРОС 14: В какой степени Вы согласны или не согласны с каждым из следующих высказываний? (Пожалуйста, отметьте только один вариант ответа по каждому из высказываний)**

|   | Совершенно согласен      | Скорее согласен          | Скорее не согласен       | Совершенно не согласен   |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Я получаю достаточно информации по системе страхования вкладов в этом банке.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Я знаю, где найти дополнительную информацию о системе страхования вкладов.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Введение системы страхования вкладов в большой мере повлияло на изменение моего поведения по отношению к сбережениям. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Введение системы страхования вкладов в большой мере повлияло на изменение моего доверия к банковской системе.         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Я советую членам моей семьи и друзьям хранить денежные средства во вкладах.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**ВОПРОС 15: Слышали ли Вы что-либо об изменении основных параметров системы страхования вкладов, произошедшем в октябре 2008 года?**

- ☐ Да, я хорошо знаком(а) с этими изменениями
- ☐ Да, я кое-что слышал(а), но подробностей не знаю
- ☐ Нет, я впервые слышу об этом (Пожалуйста, сразу перейдите к ВОПРОСУ 17)

**ВОПРОС 16: Каким образом Вы узнали об изменении основных параметров системы страхования вкладов, произошедшем в октябре 2008 года? (Возможно несколько вариантов ответа)**

- ☐ По телевидению
- ☐ По радио
- ☐ В печатных изданиях (газеты, журналы)
- ☐ В сети Интернет
- ☐ От члена семьи, друга, другого лица
- ☐ В отделении банка
- ☐ Другое (Пожалуйста, напишите \_\_\_\_\_)

**ВОПРОС 17: В октябре 2008 года произошло увеличение суммы страхового возмещения по вкладам/текущим счетам. Каким образом Вы отреагировали/планируете отреагировать на это нововведение? (Возможно несколько вариантов ответа)**

- ☐ Я увеличил(а)/планирую увеличить сумму вклада в этом банке
- ☐ Я открыл(а)/планирую открыть новый вклад в другом банке
- ☐ Я не планирую ничего из вышеперечисленного

**ВОПРОС 18: Изменилось ли Ваше доверие к банковской системе после увеличения суммы страхового возмещения в октябре 2008 года?**

- ☐ Доверие повысилось (по сравнению с уровнем доверия на сентябрь 2008 года)
- ☐ Доверие понизилось (по сравнению с уровнем доверия на сентябрь 2008 года)
- ☐ Доверие осталось без изменений (по сравнению с уровнем доверия на сентябрь 2008 года)

Приглашаем Вас заполнить данную анкету, подготовленную Де Монфортским университетом (Великобритания) для проведения опроса при поддержке Ассоциации банков Северо-Запада и Главного управления Центрального банка Российской Федерации по Санкт-Петербургу. Опрос проводится на условиях анонимности. Полученные ответы не будут обрабатываться или использоваться Убедительно просим Вас не указывать личные данные в анкете или на конверте (Ваше имя, номер счета или карты и т.д.). Просим Вас запечатать заполненную анкету в конверт и опустить его в почтовую коробку в одном из отделений \_\_\_\_\_ в городе Санкт-Петербурге до 31 марта 2009 года.

Благодарим Вас за сотрудничество,  
Филиал \_\_\_\_\_ в городе Санкт-Петербурге

## Appendix 10

### Translation of Questions in the Questionnaire for Banks A1, B1, C1 and D1

Sex:

☐ Male

☐ Female

Age:

☐ < 25

☐ 26-35

☐ 36-45

☐ 46-55

☐ 56-65

☐ > 66

**QUESTION 1: What banking products (services) do you use in this bank?** *(Please tick all that apply)*

☐ Savings account

☐ Current account

☐ Card through the 'salary project'

☐ Card without the 'salary project'

☐ None *(Please go directly to QUESTION 7)*

**QUESTION 2: How much of your money is deposited in this bank (in total across all current/savings accounts)?** *(If your accounts are in foreign currency, please use the equivalent in RUB)*

☐ RUB < 100,000

☐ RUB 700,001-1,000,000

☐ RUB 100,001-400,000

☐ RUB > 1,000,001

☐ RUB 400,001-700,000

**QUESTION 3: Why did you choose this bank to service your current/savings account?** *(Please tick all that apply)*

☐ High level of customer service

☐ Recommendation of a member of family, a friend, other person

☐ Bank's reputation

☐ Participation of this bank in the deposit insurance scheme

☐ Better savings accounts' interest rates (compared to other banks)

☐ Participation of my employer in the 'salary project'

☐ Better savings accounts' term of contract (compared to other banks)

☐ Other *(Please give details)*

**QUESTION 4: Is this bank a member of the deposit insurance scheme?**

☐ Yes

☐ No

☐ Do not know

**QUESTION 5: How confident are you in the safety of your money in this bank?**

- |   |   |
|---|---|
| <input type="checkbox"/> Completely confident | <input type="checkbox"/> Somewhat lack confidence   |
| <input type="checkbox"/> Somewhat confident   | <input type="checkbox"/> Completely lack confidence |

**QUESTION 6: Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?**

- |  |  |
|--|--|
| <input type="checkbox"/> Yes, I read about it on the information stand in the bank's branch before opening the savings/current account | <input type="checkbox"/> Yes, I saw information in the text of contract at the time of opening the savings/current account |
| <input type="checkbox"/> Yes, I received information from the bank clerk at the time of opening the savings/current account            | <input type="checkbox"/> No, I have received no such information from this bank  |

**QUESTION 7: How do you evaluate your knowledge of the deposit insurance scheme (where 1 – “have no knowledge” and 5 – “know everything or almost everything”)?**

- |                            |                            |                            |                            |                            |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <input type="checkbox"/> 1 | <input type="checkbox"/> 2 | <input type="checkbox"/> 3 | <input type="checkbox"/> 4 | <input type="checkbox"/> 5 |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|

**QUESTION 8: What is the maximum deposit insurance compensation amount?**

- |  |  |
|--|--|
| <input type="checkbox"/> RUB 100,000   | <input type="checkbox"/> RUB 400,000   |
| <input type="checkbox"/> RUB 700,000   | <input type="checkbox"/> RUB 1,000,000 |
| <input type="checkbox"/> There is no maximum deposit insurance compensation amount | <input type="checkbox"/> Do not know   |

**QUESTION 9: Who bears the responsibility for the organisation of deposit insurance compensation?**

- |   |  |
|---|--|
| <input type="checkbox"/> Government               | <input type="checkbox"/> Central Bank                  |
| <input type="checkbox"/> Deposit Insurance Agency | <input type="checkbox"/> Bank serving the bank account |
| <input type="checkbox"/> Do not know              |  |

**QUESTION 10: How would you prefer to receive information about the deposit insurance scheme?**

- |  |   |
|--|---|
| <input type="checkbox"/> TV  | <input type="checkbox"/> Radio                |
| <input type="checkbox"/> Printed press                                   | <input type="checkbox"/> Internet             |
| <input type="checkbox"/> From a member of family, a friend, other person | <input type="checkbox"/> In the bank's branch |
| <input type="checkbox"/> Other ( <i>Please give details</i> _____)       |   |

**QUESTION 11: Do you feel your rights as depositor are more protected following the introduction of the deposit insurance scheme in 2004?**

☐ Yes ☐ No ☐ Do not know

**QUESTION 12: How did your level of confidence in banking system change following the introduction of the deposit insurance scheme in 2004?**

☐ Level of confidence increased ☐ Level of confidence decreased ☐ Level of confidence remained unchanged

**QUESTION 13: How did your saving behaviour change following the introduction of the deposit insurance scheme in 2004?**

☐ I increased the value of savings account in connection with the introduction of the deposit insurance scheme ☐ I did not increase the value of savings account despite the introduction of the deposit insurance scheme

☐ I increased the value of savings account irrespective of the introduction of the deposit insurance scheme ☐ My saving behaviour remained unchanged

**QUESTION 14: To what extent do you agree or disagree with each of the following statements? (Please mark only one response for each statement)**

|  | Completely agree         | Somewhat agree           | Somewhat disagree        | Completely disagree      |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| 14a: I receive sufficient information about the deposit insurance scheme from this bank  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14b: I know where to find further information about the deposit insurance scheme   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14c: The introduction of the deposit insurance scheme to a large extent influenced a change in my saving behaviour                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14d: The introduction of the deposit insurance scheme to a large extent influenced a change in my confidence in the banking system | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14e: I would recommend that family members and friends place their money in savings accounts                                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**QUESTION 15: Have you heard anything about changes to the main parameters of the deposit insurance scheme in October 2008?**

- |  |  |
|--|--|
| <input type="checkbox"/> Yes, I am well aware of these changes   | <input type="checkbox"/> Yes, I heard something, but do not know the details |
| <input type="checkbox"/> No, this is the first I have heard of it ( <i>Please go directly to QUESTION 17</i> ) |  |

**QUESTION 16: How did you hear about the changes?**

- |  |   |
|--|---|
| <input type="checkbox"/> TV  | <input type="checkbox"/> Radio                |
| <input type="checkbox"/> Printed press                                   | <input type="checkbox"/> Internet             |
| <input type="checkbox"/> From a member of family, a friend, other person | <input type="checkbox"/> In the bank's branch |
| <input type="checkbox"/> Other ( <i>Please give details</i> _____)       |   |

**QUESTION 17: How have you reacted/do you plan to react to these changes? (*More than one response possible*)**

- |  |  |
|--|--|
| <input type="checkbox"/> I increased/plan to increase the value of my savings account in this bank | <input type="checkbox"/> I opened/plan to open a new savings account in another bank |
| <input type="checkbox"/> I do not plan to do anything  |  |

**QUESTION 18: Has your level of confidence in the banking system changed since October 2008?**

- |   |  |
|---|--|
| <input type="checkbox"/> Level of confidence has increased (compared to the level of confidence in September 2008)          | <input type="checkbox"/> Level of confidence has decreased (compared to the level of confidence in September 2008) |
| <input type="checkbox"/> Level of confidence has remained unchanged (compared to the level of confidence in September 2008) |  |

## Appendix 11

### Description of Methods Used To Capture, Verify and Validate the Quantitative Data

When data is transferred from one medium to another, there will always be a danger that errors are introduced, and there will be a need to verify the data. This is especially true when the input is done manually.

The data collected from 942 questionnaires were transferred from paper to digital format using a bespoke software called *qAssistant* developed for this investigation. The software algorithms performed the following steps to capture, validate and verify the data:

1. All questionnaires from each participating bank were scanned and saved as picture files with the name identifying the questionnaire.
2. All the picture files related to each questionnaire page were grouped together.
3. Required information was extracted from each of the picture files using the following steps:
  - each picture was rotated, scaled and centred according to defined fix points (top left and bottom left corners of each page);
  - a template was used to identify areas on the picture which show checkboxes; and
  - software determined whether each of the checkboxes on the page was ticked by counting black pixels (if the number of black pixels was larger than a certain pre-determined threshold count, the checkbox was considered ticked).

In order to validate the data compiled from the ticked checkboxes, a series of checks have been performed which helped to identify invalid responses:

- a respondent could be either male or female; if both checkboxes were ticked, neither response was recorded;

- a respondent could only be in one age group; if more than one checkbox were ticked, none of the responses were recorded;
- if a respondent indicated in Question 1 that they did not patronise the bank where they were surveyed, they were not supposed to tick any of the checkboxes in Questions 2, 3, 4, 5 and 6 (on the questionnaire for Banks A1, B1, C1, D1 and D2) and in Questions 2, 3, 4 and 5 (on the questionnaire for Bank A2), if any of the checkboxes from these questions were ticked, none of the responses were recorded;
- a respondent could only choose one response in relation to the total amount of money deposited in the bank; if more than one checkbox were ticked, none of the responses were recorded;
- if a respondent stated in Question 6 (on the questionnaire for Banks A1, B1, C1, D1 and D2) and in Question 5 (on the questionnaire for Bank A2) that they did not receive any information about the DIS from the bank, no other checkbox in this question could be ticked; if any of the other checkboxes from this question were ticked, none of the responses were recorded;
- a respondent could only tick one checkbox on the level of their knowledge of the DIS; if more than one checkbox were ticked, none of the responses were recorded;
- a respondent could only tick one checkbox regarding the maximum compensation amount; if more than one checkbox were ticked, none of the responses were recorded;
- a respondent could only tick one checkbox in Questions 11, 12 and 13 (on the questionnaire for Banks A1, B1, C1, D1 and D2) and in Questions 10, 11 and 12 (on the questionnaire for Bank A2), if more than one checkbox were ticked, none of the responses were recorded;
- a respondent could only tick one checkbox in relation to statements in Question 14 (on the questionnaire for Banks A1, B1, C1, D1 and D2) and in Question 13 (on



the questionnaire for Bank A2), if more than one checkbox were ticked, none of the responses were recorded;

- a respondent could only tick one checkbox in Question 15 (on the questionnaire for Banks A1, B1, C1, D1 and D2) and in Question 14 (on the questionnaire for Bank A2), if more than one checkbox were ticked, none of the responses were recorded;
- if a respondent stated in Question 15 (on the questionnaire for Banks A1, B1, C1, D1 and D2) and in Question 14 (on the questionnaire for Bank A2) that they heard about the October 2008 changes in the DIS for the first time, they were not supposed to tick any of the checkboxes in Question 16 (on the questionnaire for Banks A1, B1, C1, D1 and D2) and in Question 15 (on the questionnaire for Bank A2), if any of the checkboxes from this question were ticked, none of the responses were recorded; and
- a respondent could only tick one checkbox in Questions 17 and 18 (on the questionnaire for Banks A1, B1, C1, D1 and D2) and in Questions 16 and 17 (on the questionnaire for Bank A2); if more than one checkbox were ticked, none of the responses were recorded.

After the data from all valid questionnaires were identified, software combined the validated data from different versions of the questionnaire into one big dataset suitable for statistical analysis using SPSS.

Since the data was inputted into an electronic file using bespoke software, it is believed that the possibility of human error has been minimised.

## Appendix 12

### Detailed Analysis of Retail Depositors' Survey Data in Disaggregate Form

#### Findings from Retail Depositors' Survey in Relation to Objective 1 "To Protect the Rights and Legal Interests of Household Depositors"

##### Depositors Know About the Parameters of, and the Process of Compensation Under, the DIS (Impact Indicator 1.2.1)

To determine whether the bank, as an independent variable, influences the level of perceived knowledge about the DIS among retail depositors, and given that the data in Question 7 'How do you evaluate your knowledge about the deposit insurance scheme?' is ordinal, it is appropriate to use the Kruskal-Wallis test.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to the level of perceived knowledge about the DIS among retail depositors.**

The output from the Kruskal-Wallis test computed in SPSS (see below) shows the Sig. value of 0.001, which means the result is significant, and there is a statistical difference between the banks in respect of the level of perceived knowledge about the DIS among the retail depositors.

*Test Statistics<sup>a,b</sup> with respect to the Question 7*

|             | How do you evaluate your knowledge of the deposit insurance scheme? |
|-------------|---|
| Chi-Square  | 21.101  |
| df          | 5   |
| Asymp. Sig. | .001  |

a. Kruskal Wallis Test

b. Grouping Variable: Bank

According to the ranks provided as part of the output from the Kruskal-Wallis test with respect to the Question 7 (see below), it is possible to rank the banks in the order of a number of respondents giving the marks to themselves (from the highest mark to the

lowest): 1st – Bank B1, 2nd – Bank A1, 3rd – Bank D1, 4th – Bank A2, 5th – Bank D2, 6th – Bank C1.

*Output from the Kruskal-Wallis test with respect to the Question 7*

| How do you evaluate your knowledge of the deposit insurance scheme? | Bank  | N   | Mean Rank |
|---|-------|-----|-----------|
|   | B1    | 57  | 574.07    |
|   | A1    | 146 | 514.95    |
|   | D1    | 68  | 476.38    |
|   | A2    | 248 | 450.88    |
|   | D2    | 267 | 439.86    |
|   | C1    | 142 | 433.08    |
|   | Total | 928 |           |

The next question to be tested against the bank as an independent variable is Question 8 ‘What is the maximum deposit insurance compensation amount?’ To determine whether there is a statistical difference between the banks with regards to whether the retail depositors know the correct deposit insurance compensation amount or not, the Chi-squared tests were carried out in relation to the correct response option ‘RUB 700,000’.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to the retail depositors’ knowledge of the correct amount of the deposit insurance compensation.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value of  $<0.001$ , which means the result is significant, and there is, indeed, a relationship between a bank and the retail depositors’ knowledge of the correct amount of the deposit insurance compensation.

*Output from the Chi-squared test with respect to the retail depositors’ knowledge of the correct amount of the deposit insurance compensation*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 26.402 <sup>a</sup> | 5  | .000                  |
| Likelihood Ratio             | 28.108              | 5  | .000                  |
| Linear-by-Linear Association | 2.211               | 1  | .137                  |
| N of Valid Cases             | 938                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 18.29.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\psi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The original Question 8 ‘What is the maximum deposit insurance compensation amount?’ has six response options, including the response option ‘700,000 RUB’, which is the only correct answer, and is being tested against the bank as an independent variable in this instance. The rephrased question (for the purposes of this test) has two response options: ‘Yes’ (for those respondents who chose the original response option) and ‘No’ (for those respondents who did not choose it). Since the amount of deposit insurance compensation is one of the parameters of the DIS, it was hoped that respondents would choose the original response option in Question 8 (indicated as ‘Yes’ in the rephrased question), meaning the response option ‘Yes’ is the positive response option for the purposes of calculating the  $\psi$  value. Reciprocally, not choosing the original response option in Question 8 (indicated as ‘No’ in the rephrased question) was not anticipated and, therefore, will be considered as a negative response option for the purposes of calculating  $\psi$  values.

With respect to the positive response option ‘Yes’, the ranking of banks (from the best performing to the worst performing) is as follows.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option ‘Yes’ in rephrased Question 8 ‘What is the maximum deposit insurance compensation amount?’*

| Bank  | Count          | N     | $\psi$ value | Ranking |
|-------|----------------|-------|--------------|---------|
| A1    | Count          | 116   | 14.62        | 2       |
|       | Expected Count | 101.2 |              |         |
| A2    | Count          | 153   | -10.26       | 6       |
|       | Expected Count | 170.5 |              |         |
| B1    | Count          | 49    | 26.61        | 1       |
|       | Expected Count | 38.7  |              |         |
| C1    | Count          | 96    | -0.41        | 4       |
|       | Expected Count | 96.4  |              |         |
| D1    | Count          | 53    | 13.01        | 3       |
|       | Expected Count | 46.9  |              |         |
| D2    | Count          | 170   | -7.31        | 5       |
|       | Expected Count | 183.4 |              |         |
| Total | Count          | 637   |              |         |

With respect to the overall performance in this question, if the two  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks in this question.

*Overall ranking of banks based on their  $\psi$  values in relation to the rephrased Question 8 ‘What is the maximum deposit insurance compensation amount?’*

| Bank  | Count          | N   | $\psi$ value | Overall Ranking |
|-------|----------------|-----|--------------|-----------------|
| A1    | Count          | 149 | 45.59        | 2               |
|       | Expected Count | 149 |              |                 |
| A2    | Count          | 251 | -32.00       | 6               |
|       | Expected Count | 251 |              |                 |
| B1    | Count          | 57  | 82.90        | 1               |
|       | Expected Count | 57  |              |                 |
| C1    | Count          | 142 | -1.29        | 4               |
|       | Expected Count | 142 |              |                 |
| D1    | Count          | 69  | 40.61        | 3               |
|       | Expected Count | 69  |              |                 |
| D2    | Count          | 270 | -22.78       | 5               |
|       | Expected Count | 270 |              |                 |
| Total | Count          | 938 |              |                 |

From these results, it is clear that in both the positive response option and in the overall ranking, Bank B1 is ranked first and Bank A1 is ranked second, whilst Banks D2 and A2 ranked fifth and sixth respectively.

Considering Question 9 ‘Who bears the responsibility for the organisation of deposit insurance compensation?’ contains nominal data, a separate Chi-squared test was carried out in relation to the correct response option ‘Deposit Insurance Agency’ to determine whether the bank, as an independent variable, influences retail depositors’ knowledge on this matter.

The null hypothesis in this instance will be worded in the following way.

**There is no statistical difference between the banks with respect to the retail depositors’ knowledge of who is responsible for the organisation of deposit insurance compensation.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value 0.001, which means the result is significant, and there is, indeed, a relationship

between a bank and the retail depositors' knowledge of who is responsible for the organisation of the deposit insurance compensation.

*Output from the Chi-squared test with respect to the retail depositors' knowledge of who is responsible for the organisation of deposit insurance compensation*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 21.481 <sup>a</sup> | 5  | .001                  |
| Likelihood Ratio             | 21.929              | 5  | .001                  |
| Linear-by-Linear Association | .091                | 1  | .763                  |
| N of Valid Cases             | 938                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 26.74.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\psi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The original Question 9 'Who bears the responsibility for the organisation of deposit insurance compensation?' has five response options, including the response option 'Deposit Insurance Agency', which is the only correct answer and is being tested against the bank as an independent variable in this instance.<sup>680</sup>

The rephrased question (for the purposes of this test) has two response options: 'Yes' (for those respondents who chose the original response option) and 'No' (for those respondents who did not choose it). Since it is important for retail depositors to know that the Deposit Insurance Agency is the one responsible for arranging the deposit insurance compensation in case of a triggering event, it was hoped that respondents would choose the original response option in Question 9 (indicated as 'Yes' in the rephrased question), meaning the response option 'Yes' is the positive response option for the purposes of calculating the  $\psi$  value. Reciprocally, not choosing the original response option in Question 8 (indicated as 'No' in the rephrased question) was not anticipated and, therefore, will be considered as a negative response option for the purposes of calculating  $\psi$  values.

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<sup>680</sup> As noted in Section 5.2.1.1 in Chapter 5, some respondents treated this question as a multiple-response question and 4.6% chose response option 'Deposit Insurance Agency' together with other response options. This percentage is not considered significant for the purposes of the Chi-squared test.

With respect to the positive response option ‘Yes’, the ranking of banks (from the best performing to the worst performing) is as follows.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option ‘Yes’ in rephrased Question 9 ‘Who bears the responsibility for the organisation of deposit insurance compensation?’*

| Bank  | Count          | N     | $\psi$ value | Ranking |
|-------|----------------|-------|--------------|---------|
| A1    | Count          | 87    | 9.99         | 3       |
|       | Expected Count | 79.1  |              |         |
| A2    | Count          | 114   | -14.48       | 6       |
|       | Expected Count | 133.3 |              |         |
| B1    | Count          | 38    | 25.41        | 2       |
|       | Expected Count | 30.3  |              |         |
| C1    | Count          | 72    | -4.51        | 5       |
|       | Expected Count | 75.4  |              |         |
| D1    | Count          | 49    | 33.88        | 1       |
|       | Expected Count | 36.6  |              |         |
| D2    | Count          | 138   | -3.70        | 4       |
|       | Expected Count | 143.3 |              |         |
| Total | Count          | 498   |              |         |

With respect to the overall performance in this question, if the two  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks in this question.

*Overall ranking of banks based on their  $\psi$  values in relation to the rephrased Question 9 ‘Who bears the responsibility for the organisation of deposit insurance compensation?’*

| Bank  | Count          | N   | $\psi$ value | Overall Ranking |
|-------|----------------|-----|--------------|-----------------|
| A1    | Count          | 149 | 21.29        | 3               |
|       | Expected Count | 149 |              |                 |
| A2    | Count          | 251 | -30.88       | 6               |
|       | Expected Count | 251 |              |                 |
| B1    | Count          | 57  | 54.25        | 2               |
|       | Expected Count | 57  |              |                 |
| C1    | Count          | 142 | -9.61        | 5               |
|       | Expected Count | 142 |              |                 |
| D1    | Count          | 69  | 72.15        | 1               |
|       | Expected Count | 69  |              |                 |
| D2    | Count          | 270 | -7.88        | 4               |
|       | Expected Count | 270 |              |                 |
| Total | Count          | 938 |              |                 |

From these results, it is clear that in both the positive response option and in the overall ranking Bank D1 is ranked first and Bank B1 is ranked second, whilst Banks C1 and A2 ranked fifth and sixth respectively.

#### Depositors Consult the Printed/Online Materials about the DIS (Impact Indicator 1.2.2)

To understand whether the bank, as an independent variable, influences the perception of retail depositors with respect to their understanding of where to find additional information about the DIS (outside of the bank branch), and considering the data in Question 14b ‘I know where to find further information about the deposit insurance scheme’ is ordinal, it is necessary to use the Kruskal-Wallis test.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to the level of retail depositors’ agreement with the statement ‘I know where to find further information about the deposit insurance scheme’.**

The output from the Kruskal-Wallis test computed in SPSS (see below) shows the Sig. value of 0.033, which means the result is significant, and there is a statistical difference between the banks with respect to the level of retail depositors’ agreement with the statement ‘I know where to find further information about the deposit insurance scheme’.

#### *Test Statistics<sup>a,b</sup> with respect to the Question 14b*

|             | I know where to find further information about the deposit insurance scheme |
|-------------|---|
| Chi-Square  | 12.121  |
| df          | 5   |
| Asymp. Sig. | .033  |

a. Kruskal Wallis Test

b. Grouping Variable: Bank

According to the ranks provided as part of the output from the Kruskal-Wallis test with respect to the Question 14b (see below), it is possible to rank the banks in order according to the number of respondents providing positive answers (from the highest to the lowest): 1st – Bank B1; 2nd – Bank D1; 3rd – Bank D2; 4th – Bank A1; 5th – Bank A2; 6th – Bank C1.



*Output from the Kruskal-Wallis test with respect to the Question 14b*

| I know where to find further information about the deposit insurance scheme | Bank  | N   | Mean Rank |
|---|-------|-----|-----------|
|   | B1    | 53  | 376.29    |
|   | D1    | 68  | 394.36    |
|   | D2    | 253 | 430.57    |
|   | A1    | 131 | 435.34    |
|   | A2    | 226 | 441.36    |
|   | C1    | 142 | 486.13    |
|   | Total | 873 |           |

Depositors Have Been Made Aware of the Protection of their rights and Legal Interests (Impact Indicator 1.2.4)

The following test seeks to demonstrate the extent to which the banks influence the perception of retail depositors about the protection of their rights and legal interests under the DIS. Considering the data in Question 11 ‘Do you feel your rights as depositor are more protected following the introduction of the deposit insurance scheme in 2004?’ is nominal, the Chi-squared test will be used.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to the way retail depositors feel about the protection of their rights and legal interests.**

The output from the Chi-squared test computed in SPSS shows (see below) the Sig. value of 0.003, which means the result is significant, and there is, indeed, a relationship between a bank and the way retail depositors feel about the protection of their rights and legal interests.

*Output from the Chi-squared test with respect to the way retail depositors feel about the protection of their rights and legal interests*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 26.446 <sup>a</sup> | 10 | .003                  |
| Likelihood Ratio             | 26.425              | 10 | .003                  |
| Linear-by-Linear Association | .001                | 1  | .969                  |
| N of Valid Cases             | 931                 |    |                       |

a. 1 cells (5.6%) have expected count less than 5. The minimum expected count is 4.78.

However, the output from the test also mentions that the assumptions of the Chi-squared test concerning ‘minimum expected cell frequency’ has been violated, as one cell (5.6%) have an expected count of less than five, with the minimum expected count of 4.78. Some authors believe it is still possible to use the result of the Chi-squared test if not more than 20% of cells have an expected count of less than five, and no cell has an expected count of less than one (see Chapter 4 for more details).

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\psi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The question has three response options: ‘Yes’, ‘No’ and ‘Do not know’. Since one of the objectives of the establishing the DIS in Russia was to protect the rights and legal interests of depositors, it was hoped that the respondents would answer ‘Yes’ to this question, meaning ‘Yes’ is the positive response options for the purposes of calculating the  $\psi$  value. Reciprocally, ‘No’ and ‘Do not know’ were not anticipated to be chosen by respondents and, therefore, will be considered as negative response options for the purposes of calculating  $\psi$  values.

With respect to the positive response option ‘Yes’, the ranking of banks is presented below.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option ‘Yes’ in Question 11 ‘Do you feel your rights as depositor are more protected following the introduction of the deposit insurance scheme in 2004?’*

| Bank  | Count          | N     | $\psi$ value | Ranking |
|-------|----------------|-------|--------------|---------|
| A1    | Count          | 104   | 19.5         | 1       |
|       | Expected Count | 87.0  |              |         |
| A2    | Count          | 131   | -10.8        | 5       |
|       | Expected Count | 146.8 |              |         |
| B1    | Count          | 37    | 9.8          | 2       |
|       | Expected Count | 33.7  |              |         |
| C1    | Count          | 74    | -11.9        | 6       |
|       | Expected Count | 84.0  |              |         |
| D1    | Count          | 43    | 5.4          | 3       |
|       | Expected Count | 40.8  |              |         |
| D2    | Count          | 162   | 2.1          | 4       |
|       | Expected Count | 158.6 |              |         |
| Total | Count          | 551   |              |         |

With respect to the overall performance of retail depositors in this question, if the three  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks with respect to the performance of retail depositors in this question (see below).

*Overall ranking of banks based on their  $\psi$  values in relation to Question 11 ‘Do you feel your rights as depositor are more protected following the introduction of the deposit insurance scheme in 2004?’*

| Bank  | Count          | N     | $\psi$ value | Overall Ranking |
|-------|----------------|-------|--------------|-----------------|
| A1    | Count          | 147   | 93.2         | 1               |
|       | Expected Count | 147.0 |              |                 |
| A2    | Count          | 248   | -13.3        | 5               |
|       | Expected Count | 248.0 |              |                 |
| B1    | Count          | 57    | -6.3         | 4               |
|       | Expected Count | 57.0  |              |                 |
| C1    | Count          | 142   | -77.9        | 6               |
|       | Expected Count | 142.0 |              |                 |
| D1    | Count          | 69    | 12.7         | 2               |
|       | Expected Count | 69.0  |              |                 |
| D2    | Count          | 268   | 1.1          | 3               |
|       | Expected Count | 268.0 |              |                 |
| Total | Count          | 931   |              |                 |

From these results, it is clear that Bank A1 is ranked first in the positive response option as well as overall, with Bank B1 coming in second place for the positive response options and Bank D1 coming in second place in the overall ranking for this question. It is interesting to note that Banks A2 and C1 are placed fifth and sixth respectively in both rankings.

#### Bank Informs Depositors About the DIS (Impact Indicator 1.3.6)

To ascertain whether the bank, as an independent variable, influences the retail depositors’ knowledge about whether the bank they patronise is a member of the DIS or not, and considering the data in the Question 4 ‘Is this bank a member of the deposit insurance scheme?’ is nominal, it is appropriate to use the Chi-squared test.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to retail depositors’ knowledge of whether their bank is a member of the DIS.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value of  $<0.001$ , which means the result is significant, and there is, indeed, a relationship between a bank and retail depositors' knowledge of whether their bank is a member of the DIS.

*Output from the Chi-squared test with respect to retail depositors' knowledge of whether their bank is a member of the DIS*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 38.562 <sup>a</sup> | 10 | .000                  |
| Likelihood Ratio             | 49.358              | 10 | .000                  |
| Linear-by-Linear Association | 5.038               | 1  | .025                  |
| N of Valid Cases             | 760                 |    |                       |

a. 4 cells (22.2%) have expected count less than 5. The minimum expected count is 1.56.

However, the output from the test also mentions that the assumptions of the Chi-squared test concerning 'minimum expected cell frequency' has been violated, as four cells (22.2%) have an expected count of less than five, with the minimum expected count of 1.56. Some authors believe it is still possible to use the result of the Chi-squared test if not more than 20% of cells have an expected count of less than five, and no cell has an expected count of less than one (see Chapter 4 for further details). In this situation 22.2% of cells have an expected count of less than five, but considering the Sig. value is  $<0.001$ , this can be described as a borderline case, and the result will be taken into account in this instance.

To rank the banks according to their performance in this question, it is necessary to calculate  $\phi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The question has three response options: 'Yes', 'No' and 'Do not know'. Since the DIS in Russia is compulsory in nature and all banks dealing with the general public, are members of the DIS, it was hoped that respondents would answer 'Yes' to this question, meaning 'Yes' is the positive response options for the purposes of calculating the  $\phi$  value. Reciprocally, 'No' and 'Do not know' were not anticipated to be chosen by respondents and, therefore, will be considered as negative response options for the purposes of calculating  $\phi$  values.

With respect to the positive response option ‘Yes’, the ranking of banks is presented below.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option ‘Yes’ in Question 4 ‘Is this bank a member of the deposit insurance scheme?’*

| Bank  | Count          | N     | $\psi$ value | Ranking |
|-------|----------------|-------|--------------|---------|
| A1    | Count          | 115   | 15.0         | 2       |
|       | Expected Count | 100.0 |              |         |
| A2    | Count          | 154   | -5.5         | 4       |
|       | Expected Count | 162.9 |              |         |
| B1    | Count          | 53    | 21.6         | 1       |
|       | Expected Count | 43.6  |              |         |
| C1    | Count          | 57    | -8.2         | 6       |
|       | Expected Count | 62.1  |              |         |
| D1    | Count          | 51    | 2.0          | 3       |
|       | Expected Count | 50.0  |              |         |
| D2    | Count          | 183   | -5.9         | 5       |
|       | Expected Count | 194.4 |              |         |
| Total | Count          | 613   |              |         |

With respect to the overall performance of retail depositors in this question, if the three  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks.

*Overall ranking of banks based on their  $\psi$  values in relation to Question 4 ‘Is this bank a member of the deposit insurance scheme?’*

| Bank  | Count          | N     | $\psi$ value | Overall Ranking |
|-------|----------------|-------|--------------|-----------------|
| A1    | Count          | 124   | 170.9        | 2               |
|       | Expected Count | 124.0 |              |                 |
| A2    | Count          | 202   | -21.2        | 4               |
|       | Expected Count | 202.0 |              |                 |
| B1    | Count          | 54    | 210.3        | 1               |
|       | Expected Count | 54.0  |              |                 |
| C1    | Count          | 77    | -78.4        | 5               |
|       | Expected Count | 77.0  |              |                 |
| D1    | Count          | 62    | 94.2         | 3               |
|       | Expected Count | 62.0  |              |                 |
| D2    | Count          | 241   | -117.0       | 6               |
|       | Expected Count | 241.0 |              |                 |
| Total | Count          | 760   |              |                 |

From these results, it is clear that Bank B1 is ranked first in the positive response option as well as overall, with Bank A1 coming in second place. It is interesting to see that,

whilst Bank C1 was ranked sixth in the positive response option, it improved its overall ranking by performing better than Bank D2 in two negative response options, placing Bank D2 at the bottom of the list.

Considering Question 6 ‘Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?’ is a multiple-response question and contains nominal data, separate Chi-squared tests were carried out in relation to four response options: ‘Yes, I read about it on the information stand in the bank's branch before opening the savings/current account’, ‘Yes, I received information from the bank clerk at the time of opening the savings/current account’ and ‘Yes, I saw information in the text of contract at the time of opening the savings/current account’ to determine whether the bank, as an independent variable, influences retail depositors’ answers to this question. Each of the tests is considered separately below.

In relation to the first response option ‘Yes, I read about it on the information stand in the bank's branch before opening the savings/current account’, the null hypothesis will be worded in the following way:

**There is no statistical difference between the banks with respect to whether the retail depositors read about the DIS on the information stand in the bank’s branch before opening the savings/current account.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value of  $<0.001$ , which means the result is significant, and there is, indeed, a relationship between a bank and the fact that retail depositors read the DIS on the information stand in the bank’s branch before opening the savings/current account.

*Output from the Chi-squared test with respect to whether the retail depositors read about the DIS on the information stand in the bank’s branch before opening the savings/current account*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 32.718 <sup>a</sup> | 5  | .000                  |
| Likelihood Ratio             | 31.968              | 5  | .000                  |
| Linear-by-Linear Association | 3.362               | 1  | .067                  |
| N of Valid Cases             | 938                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 20.24.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\phi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The original Question 6 ‘Were you informed by this bank about the DIS when opening the savings/current account?’ has four response options, including the response option ‘Yes, I read about it on the information stand in the bank's branch before opening the savings/current account’, which is being tested against the bank as an independent variable in this instance. The rephrased question (for the purposes of this test) has two response options: ‘Yes’ (for those respondents who chose the original response option) and ‘No’ (for those respondents who did not choose it). Since banks are responsible for the provision of information about the DIS to retail depositors, it was hoped that respondents would choose the original response option in a multiple-response Question 6 (indicated as ‘Yes’ in the rephrased question), meaning the response option ‘Yes’ is the positive response option for the purposes of calculating the  $\phi$  value. Reciprocally, not choosing the original response option in a multiple-response Question 6 (indicated as ‘No’ in the rephrased question) was not anticipated and, therefore, will be considered as a negative response option for the purposes of calculating  $\phi$  values.

With respect to the positive response option ‘Yes’, the ranking of banks (from the best performing to the worst performing) is as follows.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option ‘Yes’ in rephrased Question 6 ‘Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?’*

| Bank  | Count          | N    | $\psi$ value | Ranking |
|-------|----------------|------|--------------|---------|
| A1    | Count          | 77   | 45.56        | 1       |
|       | Expected Count | 52.9 |              |         |
| A2    | Count          | 72   | -19.19       | 6       |
|       | Expected Count | 89.1 |              |         |
| B1    | Count          | 23   | 13.86        | 3       |
|       | Expected Count | 20.2 |              |         |
| C1    | Count          | 41   | -18.65       | 5       |
|       | Expected Count | 50.4 |              |         |
| D1    | Count          | 34   | 38.78        | 2       |
|       | Expected Count | 24.5 |              |         |
| D2    | Count          | 86   | -10.32       | 4       |
|       | Expected Count | 95.9 |              |         |
| Total | Count          | 333  |              |         |

With respect to the overall performance in this question, if the two  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks in this question.

*Overall ranking of banks based on their  $\psi$  values in relation to the rephrased Question 6 ‘Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?’*

| Bank  | Count          | N   | $\psi$ value | Overall Ranking |
|-------|----------------|-----|--------------|-----------------|
| A1    | Count          | 149 | 70.64        | 1               |
|       | Expected Count | 149 |              |                 |
| A2    | Count          | 251 | -29.75       | 6               |
|       | Expected Count | 251 |              |                 |
| B1    | Count          | 57  | 21.47        | 3               |
|       | Expected Count | 57  |              |                 |
| C1    | Count          | 142 | -28.91       | 5               |
|       | Expected Count | 142 |              |                 |
| D1    | Count          | 69  | 60.12        | 2               |
|       | Expected Count | 69  |              |                 |
| D2    | Count          | 270 | -16.01       | 4               |
|       | Expected Count | 270 |              |                 |
| Total | Count          | 938 |              |                 |

From these results, it is clear that in both the positive response option and in the overall ranking, Bank A1 is ranked first and Bank D1 is ranked second, whilst Banks C1 and A2 ranked fifth and sixth respectively.

In relation to the second response option ‘Yes, I received information from the bank clerk at the time of opening the savings/current account’, the null hypothesis will be worded in the following way:

**There is no statistical difference between the banks with respect to whether the retail depositors received information about the DIS from the bank clerks at the time of opening the savings/current account.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value of 0.005, which means the result is significant, and there is, indeed, a relationship between a bank and the fact that the retail depositors received information about the DIS from the bank clerks at the time of opening the savings/current account.



*Output from the Chi-squared test with respect to whether the retail depositors received information about the DIS from the bank clerks at the time of opening the savings/current account*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 16.798 <sup>a</sup> | 5  | .005                  |
| Likelihood Ratio             | 16.866              | 5  | .005                  |
| Linear-by-Linear Association | .217                | 1  | .642                  |
| N of Valid Cases             | 938                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 24.61.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\phi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The original Question 6 ‘Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?’ has four response options, including the response option ‘Yes, I received information from the bank clerk at the time of opening the savings/current account’, which is being tested against the bank as an independent variable in this instance. The rephrased question (for the purposes of this test) has two response options: ‘Yes’ (for those respondents who chose the original response option) and ‘No’ (for those respondents who did not choose it). Since banks are responsible for the provision of information about the DIS to retail depositors, it was hoped that respondents would choose the original response option in a multiple-response Question 6 (indicated as ‘Yes’ in the rephrased question), meaning the response option ‘Yes’ is the positive response option for the purposes of calculating the  $\phi$  value.

Reciprocally, not choosing the original response option in a multiple-response Question 6 (indicated as ‘No’ in the rephrased question) was not anticipated and, therefore, will be considered as a negative response option for the purposes of calculating  $\phi$  values.

With respect to the positive response option ‘Yes’, the ranking of banks (from the best performing to the worst performing) is as follows.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option ‘Yes’ in rephrased Question 6 ‘Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?’*

| Bank  | Count          | N     | $\psi$ value | Ranking |
|-------|----------------|-------|--------------|---------|
| A1    | Count          | 79    | 22.86        | 1       |
|       | Expected Count | 64.3  |              |         |
| A2    | Count          | 90    | -16.97       | 6       |
|       | Expected Count | 108.4 |              |         |
| B1    | Count          | 27    | 9.76         | 3       |
|       | Expected Count | 24.6  |              |         |
| C1    | Count          | 51    | -16.80       | 5       |
|       | Expected Count | 61.3  |              |         |
| D1    | Count          | 30    | 0.67         | 4       |
|       | Expected Count | 29.8  |              |         |
| D2    | Count          | 128   | 9.78         | 2       |
|       | Expected Count | 116.6 |              |         |
| Total | Count          | 405   |              |         |

With respect to the overall performance in this question, if the two  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks in this question.

*Overall ranking of banks based on their  $\psi$  values in relation to the rephrased Question 6 ‘Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?’*

| Bank  | Count          | N   | $\psi$ value | Overall Ranking |
|-------|----------------|-----|--------------|-----------------|
| A1    | Count          | 149 | 40.22        | 1               |
|       | Expected Count | 149 |              |                 |
| A2    | Count          | 251 | -29.88       | 6               |
|       | Expected Count | 251 |              |                 |
| B1    | Count          | 57  | 17.16        | 3               |
|       | Expected Count | 57  |              |                 |
| C1    | Count          | 142 | -29.57       | 5               |
|       | Expected Count | 142 |              |                 |
| D1    | Count          | 69  | 1.18         | 4               |
|       | Expected Count | 69  |              |                 |
| D2    | Count          | 270 | 17.21        | 2               |
|       | Expected Count | 270 |              |                 |
| Total | Count          | 938 |              |                 |

From these results, it is clear that in both the positive response option and in the overall ranking, Bank A1 is ranked first and Bank D2 is ranked second, whilst Banks C1 and A2 ranked fifth and sixth respectively.

In relation to the third response option ‘Yes, I saw information in the text of contract at the time of opening the savings/current account’, the null hypothesis will be worded in the following way:

**There is no statistical difference between the banks with respect to whether the retail depositors saw the information about the DIS in the text of contract at the time of opening the savings/current account.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value of 0.002, which means the result is significant, and there is, indeed, a relationship between a bank and the fact that the retail depositors saw the information about the DIS in the text of contract at the time of opening the savings/current account.

*Output from the Chi-squared test with respect to whether the retail depositors saw the information about the DIS in the text of contract at the time of opening the savings/current account*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 19.548 <sup>a</sup> | 5  | .002                  |
| Likelihood Ratio             | 20.913              | 5  | .001                  |
| Linear-by-Linear Association | 1.162               | 1  | .281                  |
| N of Valid Cases             | 938                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.44.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\phi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The original Question 6 ‘Were you informed by this bank about the DIS when opening the savings/current account?’ has four response options, including the response option ‘Yes, I saw information in the text of contract at the time of opening the savings/current account’, which is being tested against the bank as an independent variable in this instance. The rephrased question (for the purposes of this test) has two response options: ‘Yes’ (for those respondents who chose the original response option) and ‘No’ (for those respondents who did not choose it). Since banks are responsible for the provision of information about the DIS to retail depositors, it was hoped that respondents would choose the original response option in a multiple-response Question 6 (indicated as ‘Yes’ in the rephrased question), meaning the response option ‘Yes’ is the positive response

option for the purposes of calculating the  $\psi$  value. Reciprocally, not choosing the original response option in a multiple-response Question 6 (indicated as ‘No’ in the rephrased question) was not anticipated and, therefore, will be considered as a negative response option for the purposes of calculating  $\psi$  values.

With respect to the positive response option ‘Yes’, the ranking of banks (from the best performing to the worst performing) is as follows.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option ‘Yes’ in rephrased Question 6 ‘Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?’*

| Bank  | Count          | N    | $\psi$ value | Ranking |
|-------|----------------|------|--------------|---------|
| A1    | Count          | 22   | 30.95        | 3       |
|       | Expected Count | 16.8 |              |         |
| A2    | Count          | 12   | -57.75       | 6       |
|       | Expected Count | 28.4 |              |         |
| B1    | Count          | 12   | 87.50        | 1       |
|       | Expected Count | 6.4  |              |         |
| C1    | Count          | 16   | 0.00         | 5       |
|       | Expected Count | 16   |              |         |
| D1    | Count          | 11   | 41.03        | 2       |
|       | Expected Count | 7.8  |              |         |
| D2    | Count          | 33   | 8.20         | 4       |
|       | Expected Count | 30.5 |              |         |
| Total | Count          | 106  |              |         |

With respect to the overall performance in this question, if the two  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks in this question.

From these results, it is clear that in both the positive response option and in the overall ranking, Bank B1 is ranked first and Bank D1 is ranked second, whilst Banks C1 and A2 ranked fifth and sixth respectively.

*Overall ranking of banks based on their  $\psi$  values in relation to the rephrased Question 6 ‘Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?’*

| Bank  | Count          | N   | $\psi$ value | Overall Ranking |
|-------|----------------|-----|--------------|-----------------|
| A1    | Count          | 149 | 34.89        | 3               |
|       | Expected Count | 149 |              |                 |
| A2    | Count          | 251 | -65.11       | 6               |
|       | Expected Count | 251 |              |                 |
| B1    | Count          | 57  | 98.57        | 1               |
|       | Expected Count | 57  |              |                 |
| C1    | Count          | 142 | 0.00         | 5               |
|       | Expected Count | 142 |              |                 |
| D1    | Count          | 69  | 46.25        | 2               |
|       | Expected Count | 69  |              |                 |
| D2    | Count          | 270 | 9.24         | 4               |
|       | Expected Count | 270 |              |                 |
| Total | Count          | 938 |              |                 |

In relation to the fourth response option ‘No, I have not received such information from this bank’, the null hypothesis will be worded in the following way:

**There is no statistical difference between the banks with respect to whether the retail depositors did not receive information about the DIS from the bank.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value of  $<0.001$ , which means the result is significant, and there is, indeed, a relationship between a bank and the fact whether the retail depositors did not receive the information about the DIS from the bank they patronise.

*Output from the Chi-squared test with respect to whether the retail depositors did not receive information about the DIS from the bank*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 27.081 <sup>a</sup> | 5  | .000                  |
| Likelihood Ratio             | 30.664              | 5  | .000                  |
| Linear-by-Linear Association | 3.900               | 1  | .048                  |
| N of Valid Cases             | 938                 |    |                       |

a. 1 cells (8.3%) have expected count less than 5. The minimum expected count is 4.92.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\psi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The original Question 6 ‘Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?’ has four response options, including the response option ‘No, I have not received such information from this bank’, which is being tested against the bank as an independent variable in this instance. The rephrased question (for the purposes of this test) has two response options: ‘Yes’ (for those respondents who chose the original response option) and ‘No’ (for those respondents who did not choose it). Since banks are responsible for the provision of information about the DIS to retail depositors, it was hoped that respondents would not choose the original response option in a multiple-response Question 6 (indicated as ‘No’ in the rephrased question), meaning the response option ‘No’ is the positive response option for the purposes of calculating the  $\psi$  value. Reciprocally, choosing the original response option in a multiple-response Question 6 (indicated as ‘Yes’ in the rephrased question) was not anticipated and, therefore, will be considered as a negative response option for the purposes of calculating  $\psi$  values.

With respect to the positive response option ‘No’, the ranking of banks (from the best performing to the worst performing) is as follows.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option ‘No’ in rephrased Question 6 ‘Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?’*

| Bank  | Count          | N     | $\psi$ value | Ranking |
|-------|----------------|-------|--------------|---------|
| A1    | Count          | 146   | 7.27         | 1       |
|       | Expected Count | 136.1 |              |         |
| A2    | Count          | 219   | -4.49        | 5       |
|       | Expected Count | 229.3 |              |         |
| B1    | Count          | 55    | 5.57         | 2       |
|       | Expected Count | 52.1  |              |         |
| C1    | Count          | 136   | 4.86         | 3       |
|       | Expected Count | 129.7 |              |         |
| D1    | Count          | 66    | 4.76         | 4       |
|       | Expected Count | 63    |              |         |
| D2    | Count          | 235   | -4.74        | 6       |
|       | Expected Count | 246.7 |              |         |
| Total | Count          | 857   |              |         |

With respect to the overall performance in this question, if the two  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks in this question.

*Overall ranking of banks based on their  $\psi$  values in relation to the rephrased Question 6 ‘Were you informed by this bank about the deposit insurance scheme when opening the savings/current account?’*

| Bank  | Count          | N   | $\psi$ value | Overall Ranking |
|-------|----------------|-----|--------------|-----------------|
| A1    | Count          | 149 | 84.02        | 1               |
|       | Expected Count | 149 |              |                 |
| A2    | Count          | 251 | -51.96       | 5               |
|       | Expected Count | 251 |              |                 |
| B1    | Count          | 57  | 64.75        | 2               |
|       | Expected Count | 57  |              |                 |
| C1    | Count          | 142 | 56.08        | 3               |
|       | Expected Count | 142 |              |                 |
| D1    | Count          | 69  | 54.76        | 4               |
|       | Expected Count | 69  |              |                 |
| D2    | Count          | 270 | -54.96       | 6               |
|       | Expected Count | 270 |              |                 |
| Total | Count          | 938 |              |                 |

From these results, it is clear that in both the positive response option and in the overall ranking Bank A1 is ranked first and Bank B1 is ranked second, whilst Banks A2 and D2 ranked fifth and sixth respectively.

In order to ascertain whether the bank, as an independent variable, influences the perception of retail depositors with respect to receiving sufficient information about the DIS from the bank they patronise, and considering the data in Question 14a ‘I receive sufficient information about the deposit insurance scheme from this bank’ is ordinal, it is appropriate to use the Kruskal-Wallis test.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to the level of agreement with the statement ‘I receive sufficient information about the deposit insurance scheme from this bank’.**

The output from the Kruskal-Wallis test computed in SPSS (see below) shows the Sig. value of 0.521, which means the result is not significant, and there is, indeed, no statistical difference between the banks with respect to the level of agreement with the statement ‘I receive sufficient information about the deposit insurance scheme from this bank’.

*Test Statistics<sup>a,b</sup> with respect to the Question 14a*

|             |  |
|-------------|--|
|             | I receive sufficient information about the deposit insurance scheme from this bank |
| Chi-Square  | 4.202  |
| Df          | 5  |
| Asymp. Sig. | .521   |

a. Kruskal Wallis Test

b. Grouping Variable: Bank

In relation to Question 16 ‘How did you hear about the changes?’ which was aimed at gathering data as to the sources of information about the changes in the parameters of the DIS, which took place in October 2008, the response option ‘In the bank’s branch’ presents the most interest, considering that banks are obliged to provide information about the DIS to retail depositors.

In order to establish whether there is a statistical difference between banks with respect to retail depositors’ answers in this instance, and considering the data in this question is nominal, it is necessary to use the Chi-squared.

In relation to response option ‘In the bank’s branch’, the null hypothesis will be worded in the following way:

**There is no statistical difference between the banks with respect to the retail depositors’ being informed by the bank they patronise about the changes in the parameters of the DIS, which were introduced in October 2008.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value 0.013, which means the result is significant, and there is, indeed, a relationship between a bank and whether the retail depositors were informed by the bank they patronise about the changes in the parameters of the DIS, which were introduced in October 2008.



*Output from the Chi-squared test with respect to the retail depositors' being informed by the bank they patronise about the changes in the parameters of the DIS, which were introduced in October 2008*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 14.402 <sup>a</sup> | 5  | .013                  |
| Likelihood Ratio             | 14.335              | 5  | .014                  |
| Linear-by-Linear Association | 1.318               | 1  | .251                  |
| N of Valid Cases             | 938                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 19.57.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\phi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The original multiple-response Question 16 'How did you hear about the changes?' has seven response options, including the response option 'In the bank's branch', which is being tested against the bank as an independent variable in this instance. The rephrased question (for the purposes of this test) has two response options: 'Yes' (for those respondents who chose the original response option) and 'No' (for those respondents who did not choose it). Since there is an obligation on banks' side to inform retail depositors about the DIS and the changes thereof, it was hoped that respondents would choose the original response option in a multiple-response Question 16 (indicated as 'Yes' in the rephrased question), meaning the response option 'Yes' is the positive response option for the purposes of calculating the  $\phi$  value. Reciprocally, not choosing the original response option in a multiple response Question 16 (indicated as 'No' in the rephrased question) was not anticipated and, therefore, will be considered as negative response options for the purposes of calculating  $\phi$  values.

With respect to the positive response option ‘Yes’, the ranking of banks is as follows.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option ‘Yes’ in Question 16 ‘How did you hear about the changes?’*

| Bank  | Count          | N    | $\psi$ value | Ranking |
|-------|----------------|------|--------------|---------|
| A1    | Count          | 66   | 29.03        | 1       |
|       | Expected Count | 51.1 |              |         |
| A2    | Count          | 75   | -12.96       | 4       |
|       | Expected Count | 86.2 |              |         |
| B1    | Count          | 17   | -13.12       | 5       |
|       | Expected Count | 19.6 |              |         |
| C1    | Count          | 57   | 16.93        | 2       |
|       | Expected Count | 48.7 |              |         |
| D1    | Count          | 17   | -28.23       | 6       |
|       | Expected Count | 23.7 |              |         |
| D2    | Count          | 90   | -2.90        | 3       |
|       | Expected Count | 92.7 |              |         |
| Total | Count          | 322  |              |         |

With respect to the overall performance in this question, if the two  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks in this question.

*Overall ranking of banks based on their  $\psi$  values in relation to Question 16 ‘How did you hear about the changes?’*

| Bank  | Count          | N     | $\psi$ value | Overall Ranking |
|-------|----------------|-------|--------------|-----------------|
| A1    | Count          | 149   | 44.21        | 1               |
|       | Expected Count | 149.0 |              |                 |
| A2    | Count          | 251   | -19.73       | 4               |
|       | Expected Count | 251.0 |              |                 |
| B1    | Count          | 57    | -19.98       | 5               |
|       | Expected Count | 57.0  |              |                 |
| C1    | Count          | 142   | 25.78        | 2               |
|       | Expected Count | 142.0 |              |                 |
| D1    | Count          | 69    | -42.99       | 6               |
|       | Expected Count | 69.0  |              |                 |
| D2    | Count          | 270   | -4.41        | 3               |
|       | Expected Count | 270.0 |              |                 |
| Total | Count          | 938   |              |                 |

From these results, it is clear that in both the positive response option and in overall ranking, Bank A1 is ranked first and Bank C1 is ranked second, whilst Banks B1 and D1 are ranked fifth and sixth respectively.

## **Findings from Retail Depositors' Survey in Relation to Objective 2 “To Strengthen Public Confidence in the Banking System”**

### Depositors Believe Their Money Is Safe With the Bank Where their Account is Held (Impact Indicator 2.1.1)

To identify whether the level of perceived confidence of retail depositors in the safety of their money is influenced by the bank they deposit their money with, and considering the data in Question 5 ‘How confident are you in the safety of your money in this bank?’ is ordinal, it is appropriate to use the Kruskal-Wallis test.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to the level of retail depositors' confidence in the safety of their money in the bank.**

The output from the Kruskal-Wallis test computed in SPSS (see below) shows the Sig. value of 0.195, which means the result is not significant, and there is, indeed, no statistical difference between the banks with respect to the level of retail depositors' confidence in the safety of their money in the bank.

*Test Statistics<sup>a,b</sup> with respect to the Question 5*

|             | How confident are you in the safety of your money in this bank? |
|-------------|---|
| Chi-Square  | 6.049   |
| df          | 4   |
| Asymp. Sig. | .195  |

a. Kruskal Wallis Test

b. Grouping Variable: Bank

### Depositors Are Confident in the Banking System (Impact Indicator 2.1.2)

The next question to be tested against the bank as an independent variable is Question 12 ‘How did your level of confidence in banking system change following the introduction of the deposit insurance scheme in 2004?’ To determine whether there is a statistical difference between the banks with regard to their retail depositors' level of confidence in the banking system following the introduction of the DIS in 2004, and considering the data in this question is ordinal, it is appropriate to use the Kruskal-Wallis test.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to the change in the level of confidence following the introduction of the DIS in 2004.**

The output from the Kruskal-Wallis test computed in SPSS (see below) shows the Sig. value of 0.004, which means the result is significant, and there is a statistical difference between the banks with respect to the change in the level of confidence following the introduction of the DIS in 2004.

*Test Statistics<sup>a,b</sup> with respect to the Question 12*

|             |   |
|-------------|---|
|             | How did your level of confidence in banking system change following the introduction of the deposit insurance scheme? |
| Chi-Square  | 17.278  |
| df          | 5   |
| Asymp. Sig. | .004  |

a. Kruskal Wallis Test

b. Grouping Variable: Bank

According to the ranks provided as part of the output from the Kruskal-Wallis test with respect to Question 12 (see below), it is possible to rank the banks in the order of the change in level of confidence in banking system (from ‘increased’ to ‘decreased’): 1st – Bank A1; 2nd – Bank B1; 3rd – Bank D1; 4th – Bank D2; 5th – Bank A2; 6th – Bank C1.

*Output from the Kruskal-Wallis test with respect to the Question 12*

| How did your level of confidence in banking system change following the introduction of the deposit insurance scheme? | Bank  | N   | Mean Rank |
|---|-------|-----|-----------|
|   | A1    | 146 | 402.20    |
|   | B1    | 56  | 436.28    |
|   | D1    | 69  | 443.04    |
|   | D2    | 267 | 465.51    |
|   | A2    | 244 | 485.78    |
|   | C1    | 142 | 498.63    |
|   | Total | 924 |           |

To establish whether the bank, as an independent variable, influences the retail depositors’ perception of the influence the introduction of the deposit insurance had on the change in the level of their confidence in the banking system, and considering the data in Question 14d ‘The introduction of the deposit insurance scheme to a large extent

influenced a change in my confidence in the banking system' is ordinal, it is appropriate to use the Kruskal-Wallis test.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to the level of agreement with the statement 'The introduction of the deposit insurance scheme to a large extent influenced a change in my confidence in the banking system'.**

The output from the Kruskal-Wallis test computed in SPSS (see below) shows the Sig. value of  $<0.001$ , which means the result is significant, and there is a statistical difference between the banks with respect to the level of agreement with the statement 'The introduction of the deposit insurance scheme to a large extent influenced a change in my confidence in the banking system'.

*Test Statistics<sup>a,b</sup> with respect to the Question 14d*

|             |   |
|-------------|---|
|             | The introduction of the deposit insurance scheme to a large extent influenced a change in my confidence in the banking system |
| Chi-Square  | 24.566  |
| df          | 5   |
| Asymp. Sig. | .000  |

a. Kruskal Wallis Test

b. Grouping Variable: Bank

*Output from the Kruskal-Wallis test with respect to the Question 14d*

| The introduction of the deposit insurance scheme to a large extent influenced a change in my confidence in the banking system | Bank  | N   | Mean Rank |
|---|-------|-----|-----------|
|   | A1    | 135 | 376.26    |
|   | B1    | 53  | 379.60    |
|   | A2    | 224 | 424.18    |
|   | D1    | 68  | 429.25    |
|   | D2    | 247 | 446.93    |
|   | C1    | 139 | 502.88    |
|   | Total | 866 |           |

According to the ranks provided as part of the output from the Kruskal-Wallis test with respect to Question 14d (see above), it is possible to rank the banks in order of the number of respondents providing positive answers (from the highest to the lowest): 1st –

Bank A1; 2nd – Bank B1; 3rd – Bank A2; 4th – Bank D1; 5th – Bank D2; 6th – Bank C1.

To establish whether the bank, as an independent variable, influences the perception of retail depositors with respect to their perceived change in the level of confidence in the banking system since the latest changes in the parameters of the DIS took place in October 2008, and considering the data in Question 18 ‘Has your level of confidence in the banking system changed since October 2008?’ is ordinal, it is appropriate to use the Kruskal-Wallis test.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to the change in the level of retail depositors’ confidence since October 2008.**

The output from the Kruskal-Wallis test computed in SPSS (see below) shows the Sig. value of  $<0.001$ , which means the result is significant, and there is a statistical difference between the banks with respect to the change in the level of retail depositors’ confidence since October 2008.

*Test Statistics<sup>a,b</sup> with respect to the Question 18*

|             |  |
|-------------|--|
|             | Has your level of confidence in the banking system changed since October 2008? |
| Chi-Square  | 29.323   |
| df          | 5  |
| Asymp. Sig. | .000   |

a. Kruskal Wallis Test

b. Grouping Variable: Bank

According to the ranks provided as part of the output from the Kruskal-Wallis test with respect to Question 18 (see below), it is possible to rank the banks in order of the change of level of confidence in banking system (from ‘increased’ to ‘decreased’): 1st – Bank A1; 2nd – Bank B1; 3rd – Bank A2; 4th – Bank D1; 5th – Bank C1; 6th – Bank D2.

*Output from the Kruskal-Wallis test with respect to the Question 18*

| Has your level of confidence in the banking system changed since October 2008? | Bank  | N   | Mean Rank |
|--|-------|-----|-----------|
|  | A1    | 139 | 370.55    |
|  | B1    | 57  | 443.94    |
|  | A2    | 243 | 456.03    |
|  | D1    | 68  | 457.94    |
|  | C1    | 141 | 465.39    |
|  | D2    | 265 | 501.34    |
|  | Total | 913 |           |

Depositors Recommend Savings Accounts to Their Family and Friends (Impact Indicator 2.1.3)

To establish whether the bank, as an independent variable, influences the perception of retail depositors with respect to whether they recommend to their families and friends to keep money in savings account or not, and considering the data in Question 14e ‘I recommend to family and friends to place their money in savings accounts’ is ordinal, it is appropriate to use the Kruskal-Wallis test.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to the level of retail depositors’ agreement with the statement ‘I recommend to family and friends to place their money in savings accounts’.**

The output from the Kruskal-Wallis test computed in SPSS (see below) shows the Sig. value of 0.244, which means the result is not significant, and there is, indeed, no statistical difference between the banks with respect to the level of retail depositors’ agreement with the statement ‘I recommend to family and friends to place their money in savings accounts’.

*Test Statistics<sup>a,b</sup> with respect to the Question 14e*

|             | I recommend to family and friends to place their money in savings accounts |
|-------------|--|
| Chi-Square  | 6.693  |
| df          | 5  |
| Asymp. Sig. | .244   |

a. Kruskal Wallis Test

b. Grouping Variable: Bank

### **Findings from Retail Depositors' Survey in Relation To Objective 3 "To Encourage Household Savings in the Banking System of the Russian Federation"**

#### Public Opens More Saving Accounts as the Changes in the Parameters of the DIS Are Implemented (Impact Indicator 3.1.2)

Considering Question 17 'How have you reacted/do you plan to react to these changes?' is a multiple-response question and contains nominal data, separate Chi-squared tests were carried out in relation to the response option 'I have increased/plan to increase the value of my savings account in this bank', the response option 'I have opened/plan to open a new savings account in another bank' and the response option 'I do not plan to do either of the above' to determine whether the bank, as an independent variable, influences retail depositors' willingness to act in the face of changing the parameters of the DIS. Each of the tests is considered separately below.

In relation to the first response option 'I have increased/plan to increase the value of my savings account in this bank', the null hypothesis will be worded in the following way:

**There is no statistical difference between the banks with respect to retail depositors' willingness to increase the value of the savings accounts in the bank they patronise.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value of  $<0.001$ , which means the result is significant, and there is, indeed, a relationship between a bank and a retail depositors' willingness to increase the value of their savings accounts in the bank they patronise.

*Output from the Chi-squared test with respect to retail depositors' willingness to increase the value of the savings accounts in the bank they patronise*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 40.003 <sup>a</sup> | 5  | .000                  |
| Likelihood Ratio             | 38.029              | 5  | .000                  |
| Linear-by-Linear Association | 14.275              | 1  | .000                  |
| N of Valid Cases             | 938                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.86.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\phi$  values for each bank for each of the response options in this question (as described in Chapter 4).



The original Question 17 ‘How have you reacted/do you plan to react to these changes?’ has three response options, including the response option ‘I have increased/plan to increase the value of my savings account in this bank’, which is being tested against the bank as an independent variable in this instance. The rephrased question (for the purposes of this test) has two response options: ‘Yes’ (for those respondents who chose the original response option) and ‘No’ (for those respondents who did not choose it). Since one of the objectives of the establishing the DIS in Russia was to encourage household savings, it was hoped that respondents would choose the original response option in a multiple-response Question 17 (indicated as ‘Yes’ in the rephrased question), meaning the response option ‘Yes’ is the positive response option for the purposes of calculating the  $\phi$  value. Reciprocally, not choosing the original response option in a multiple-response Question 17 (indicated as ‘No’ in the rephrased question) was not anticipated and, therefore, will be considered as a negative response option for the purposes of calculating  $\phi$  values.

With respect to the positive response option ‘Yes’, the ranking of banks (from the best performing to the worst performing) is as follows.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option ‘Yes’ in rephrased Question 17 ‘How have you reacted/do you plan to react to these changes?’*

| Bank  | Count          | N     | $\phi$ value | Ranking |
|-------|----------------|-------|--------------|---------|
| A1    | Count          | 67    | 61.45        | 1       |
|       | Expected Count | 41.5  |              |         |
| A2    | Count          | 56    | -19.77       | 5       |
|       | Expected Count | 69.8  |              |         |
| B1    | Count          | 25    | 57.23        | 2       |
|       | Expected Count | 15.9  |              |         |
| C1    | Count          | 40    | 1.27         | 3       |
|       | Expected Count | 39.5  |              |         |
| D1    | Count          | 17    | -11.46       | 4       |
|       | Expected Count | 19.2  |              |         |
| D2    | Count          | 56    | -25.43       | 6       |
|       | Count          | 261   |              |         |
| Total | Expected Count | 261.0 |              |         |

With respect to the overall performance in this question, if the two  $\phi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks in this question.

*Overall ranking of banks based on their  $\psi$  values in relation to the rephrased Question 17 'How have you reacted/do you plan to react to these changes?'*

| Bank  | Count          | N   | $\psi$ value | Overall Ranking |
|-------|----------------|-----|--------------|-----------------|
| A1    | Count          | 149 | 85.17        | 1               |
|       | Expected Count | 149 |              |                 |
| A2    | Count          | 251 | -27.39       | 5               |
|       | Expected Count | 251 |              |                 |
| B1    | Count          | 57  | 79.37        | 2               |
|       | Expected Count | 57  |              |                 |
| C1    | Count          | 142 | 1.75         | 3               |
|       | Expected Count | 142 |              |                 |
| D1    | Count          | 69  | -15.88       | 4               |
|       | Expected Count | 69  |              |                 |
| D2    | Count          | 270 | -35.23       | 6               |
|       | Expected Count | 270 |              |                 |
| Total | Count          | 938 |              |                 |

From these results, it is clear that in both the positive response option and in the overall ranking, Bank A1 is ranked first and Bank B1 is ranked second, whilst Banks A2 and D2 ranked fifth and sixth respectively.

In relation to the second response option 'I have opened/plan to open a new savings account in another bank', the null hypothesis will be worded in the following way:

**There is no statistical difference between the banks with respect to retail depositors' willingness to open a new savings accounts in another bank.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value of 0.009, which means the result is significant, and there is, indeed, a relationship between a bank and a retail depositors' willingness to open a new savings account in another bank.

*Output from the Chi-squared test with respect to retail depositors' willingness to open new savings accounts in another bank*

|                              | Value               | Df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 15.236 <sup>a</sup> | 5  | .009                  |
| Likelihood Ratio             | 14.266              | 5  | .014                  |
| Linear-by-Linear Association | .705                | 1  | .401                  |
| N of Valid Cases             | 938                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.29.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\phi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The original Question 17 ‘How have you reacted/do you plan to react to these changes’ has three response options, including the response option ‘I have opened/plan to open a new savings account in another bank’, which is being tested against the bank as an independent variable in this instance. The rephrased question (for the purposes of this test) has two response options: ‘Yes’ (for those respondents who chose the original response option) and ‘No’ (for those respondents who did not choose it). Since one of the objectives of the establishing the DIS in Russia was to encourage household savings, it was hoped that respondents would choose the original response option in a multiple-response Question 17 (indicated as ‘Yes’ in the rephrased question), meaning the response option ‘Yes’ is the positive response option for the purposes of calculating the  $\phi$  value. Reciprocally, not choosing the original response option in a multiple-response Question 17 (indicated as ‘No’ in the rephrased question) was not anticipated and, therefore, will be considered as a negative response option for the purposes of calculating  $\phi$  values.

With respect to the positive response option ‘Yes’, the ranking of banks (from the best performing to the worst performing) is as follows.

*Ranking of banks based on their  $\phi$  values in relation to the positive response option ‘Yes’ in rephrased Question 17 ‘How have you reacted/do you plan to react to these changes?’*

| Bank  | Count          | N    | $\phi$ value | Ranking |
|-------|----------------|------|--------------|---------|
| A1    | Count          | 17   | 23.19        | 3       |
|       | Expected Count | 13.8 |              |         |
| A2    | Count          | 16   | -31.33       | 6       |
|       | Expected Count | 23.3 |              |         |
| B1    | Count          | 9    | 69.81        | 1       |
|       | Expected Count | 5.3  |              |         |
| C1    | Count          | 22   | 66.67        | 2       |
|       | Expected Count | 13.2 |              |         |
| D1    | Count          | 5    | -21.88       | 4       |
|       | Expected Count | 6.4  |              |         |
| D2    | Count          | 18   | -28.00       | 5       |
|       | Expected Count | 25   |              |         |
| Total | Count          | 87   |              |         |

With respect to the overall performance in this question, if the two  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks in this question.

*Overall ranking of banks based on their  $\psi$  values in relation to the rephrased Question 17 'How have you reacted/do you plan to react to these changes?'*

| Bank  | Count          | N    | $\psi$ value | Overall Ranking |
|-------|----------------|------|--------------|-----------------|
| A1    | Count          | 17   | 25.56        | 3               |
|       | Expected Count | 13.8 |              |                 |
| A2    | Count          | 16   | -34.54       | 6               |
|       | Expected Count | 23.3 |              |                 |
| B1    | Count          | 9    | 76.97        | 1               |
|       | Expected Count | 5.3  |              |                 |
| C1    | Count          | 22   | 73.50        | 2               |
|       | Expected Count | 13.2 |              |                 |
| D1    | Count          | 5    | -24.11       | 4               |
|       | Expected Count | 6.4  |              |                 |
| D2    | Count          | 18   | -30.86       | 5               |
|       | Expected Count | 25   |              |                 |
| Total | Count          | 87   |              |                 |

From these results, it is clear that in both the positive response option and in the overall ranking, Bank B1 is ranked first and Bank C1 is ranked second, whilst Banks D2 and A2 ranked fifth and sixth respectively.

In relation to the third response option 'I do not plan to do anything from the above', the null hypothesis will be worded in the following way:

**There is no statistical difference between the banks with respect to retail depositors' not willing to either increase the value of their savings accounts or to open a new savings accounts in another bank.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value of  $<0.001$ , which means the result is significant, and there is, indeed, a relationship between a bank and the fact that the retail depositors did not plan either to increase the value of their savings accounts, or to open a new savings accounts in another bank.

*Output from the Chi-squared test with respect to retail depositors' not willing to either increase the value of their savings accounts or to open a new savings accounts in another bank*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 55.669 <sup>a</sup> | 5  | .000                  |
| Likelihood Ratio             | 54.726              | 5  | .000                  |
| Linear-by-Linear Association | 21.793              | 1  | .000                  |
| N of Valid Cases             | 938                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 21.69.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\phi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The original Question 17 'How have you reacted/do you plan to react to these changes?' has three response options, including the response option 'I do not plan to do anything from the above', which is being tested against the bank as an independent variable in this instance. The rephrased question (for the purposes of this test) has two response options: 'Yes' (for those respondents who chose the original response option) and 'No' (for those respondents who did not choose it). Since one of the objectives of the establishing the DIS in Russia was to encourage household savings, it was hoped that respondents would not choose the original response option in a multiple-response Question 17 (indicated as 'No' in the rephrased question), meaning the response option 'No' is the positive response option for the purposes of calculating the  $\phi$  value. Reciprocally, choosing the original response option in a multiple-response Question 17 (indicated as 'Yes' in the rephrased question) was not anticipated and, therefore, will be considered as a negative response option for the purposes of calculating  $\phi$  values.

With respect to the positive response option 'No', the ranking of banks (from the best performing to the worst performing) is as follows.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option 'No' in rephrased Question 17 'How have you reacted/do you plan to react to these changes?'*

| Bank  | Count          | N     | $\psi$ value | Ranking |
|-------|----------------|-------|--------------|---------|
| A1    | Count          | 90    | 58.73        | 1       |
|       | Expected Count | 56.7  |              |         |
| A2    | Count          | 79    | -17.28       | 4       |
|       | Expected Count | 95.5  |              |         |
| B1    | Count          | 32    | 47.47        | 2       |
|       | Expected Count | 21.7  |              |         |
| C1    | Count          | 57    | 5.56         | 3       |
|       | Expected Count | 54    |              |         |
| D1    | Count          | 21    | -20.15       | 5       |
|       | Expected Count | 26.3  |              |         |
| D2    | Count          | 78    | -24.12       | 6       |
|       | Expected Count | 102.8 |              |         |
| Total | Count          | 357   |              |         |

With respect to the overall performance in this question, if the two  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks in this question.

*Overall ranking of banks based on their  $\psi$  values in relation to the rephrased Question 17 'How have you reacted/do you plan to react to these changes?'*

| Bank  | Count          | N   | $\psi$ value | Overall Ranking |
|-------|----------------|-----|--------------|-----------------|
| A1    | Count          | 149 | 94.81        | 1               |
|       | Expected Count | 149 |              |                 |
| A2    | Count          | 251 | -27.89       | 4               |
|       | Expected Count | 251 |              |                 |
| B1    | Count          | 57  | 76.64        | 2               |
|       | Expected Count | 57  |              |                 |
| C1    | Count          | 142 | 8.96         | 3               |
|       | Expected Count | 142 |              |                 |
| D1    | Count          | 69  | -32.56       | 5               |
|       | Expected Count | 69  |              |                 |
| D2    | Count          | 270 | -38.96       | 6               |
|       | Expected Count | 270 |              |                 |
| Total | Count          | 938 |              |                 |

From these results, it is clear that in both the positive response option and in the overall ranking, Bank A1 is ranked first and Bank B1 is ranked second, whilst Banks A2 and D2 ranked fifth and sixth respectively.

### Depositors Save More Through Bank Deposits (Impact Indicator 3.1.3)

The following question (Question 13 ‘How did your saving behaviour change following the introduction of the deposit insurance scheme in 2004?’) has the nominal data, so in order to determine whether the retail depositors’ change in saving behaviour was influenced by the bank they patronise, it is appropriate to use the Chi-squared test.

As only two response options are of interest in this instance, two separate Chi-squared tests were carried out in relation to the response option ‘I increased the value of savings account in connection with the introduction of the deposit insurance scheme’ and the response option ‘My saving behaviour remained unchanged’. Each of the tests is considered separately below.

In relation to the response option ‘I increased the value of savings account in connection with the introduction of the deposit insurance scheme’, the null hypothesis will be worded in the following way:

**There is no statistical difference between the banks with respect to the increase of the value of savings accounts by retail depositors in connection with the introduction of the DIS.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value of  $<0.001$ , which means the result is significant, and there is, indeed, a relationship between a bank and an increased value of savings accounts by retail depositors in connection with the introduction of the DIS.

*Output from the Chi-squared test with respect to the increase of the value of savings accounts by retail depositors in connection with the introduction of the DIS*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 43.729 <sup>a</sup> | 5  | .000                  |
| Likelihood Ratio             | 41.774              | 5  | .000                  |
| Linear-by-Linear Association | 13.368              | 1  | .000                  |
| N of Valid Cases             | 938                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 13.13.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\phi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The original Question 13 ‘How did your saving behaviour change following the introduction of the deposit insurance scheme in 2004?’ has four response options, including the response option ‘I increased the value of savings account in connection with the introduction of the deposit insurance scheme’, which is being tested against the bank as an independent variable in this instance. The rephrased question (for the purposes of this test) has two response options: ‘Yes’ (for those respondents who chose the original response option) and ‘No’ (for those respondents who did not choose it). Since one of the objectives of the establishing the DIS in Russia was to encourage household savings, it was hoped that respondents would choose the original response option in Question 13 (indicated as ‘Yes’ in the rephrased question), meaning the response option ‘Yes’ is the positive response option for the purposes of calculating the  $\phi$  value. Reciprocally, not choosing the original response options in Question 13 (indicated as ‘No’ in the rephrased question) was not anticipated and, therefore, will be considered as a negative response options for the purposes of calculating  $\phi$  values.

With respect to the positive response option ‘Yes’, the ranking of banks is as follows.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option ‘Yes’ in Question 13 ‘How did your saving behaviour change following the introduction of the deposit insurance scheme in 2004?’*

| Bank  | Count          | N    | $\phi$ value | Ranking |
|-------|----------------|------|--------------|---------|
| A1    | Count          | 60   | 74.87        | 1       |
|       | Expected Count | 34.3 |              |         |
| A2    | Count          | 43   | -25.60       | 5       |
|       | Expected Count | 57.8 |              |         |
| B1    | Count          | 19   | 44.75        | 2       |
|       | Expected Count | 13.1 |              |         |
| C1    | Count          | 38   | 16.21        | 3       |
|       | Expected Count | 32.7 |              |         |
| D1    | Count          | 8    | -49.65       | 6       |
|       | Expected Count | 15.9 |              |         |
| D2    | Count          | 48   | -22.80       | 4       |
|       | Expected Count | 62.2 |              |         |
| Total | Count          | 216  |              |         |



With respect to the overall performance in this question, if the two  $\psi$  values (one per each response option) for each banks are summed up, it is possible to compile an overall ranking of banks in this question.

*Overall ranking of banks based on their  $\psi$  values in relation to Question 13 ‘How did your saving behaviour change following the introduction of the deposit insurance scheme in 2004?’*

| Bank  | Count          | N     | $\psi$ value | Overall Ranking |
|-------|----------------|-------|--------------|-----------------|
| A1    | Count          | 149   | 97.27        | 1               |
|       | Expected Count | 149.0 |              |                 |
| A2    | Count          | 251   | -33.27       | 5               |
|       | Expected Count | 251.0 |              |                 |
| B1    | Count          | 57    | 58.14        | 2               |
|       | Expected Count | 57.0  |              |                 |
| C1    | Count          | 142   | 21.06        | 3               |
|       | Expected Count | 142.0 |              |                 |
| D1    | Count          | 69    | -64.51       | 6               |
|       | Expected Count | 69.0  |              |                 |
| D2    | Count          | 270   | -29.62       | 4               |
|       | Expected Count | 270.0 |              |                 |
| Total | Count          | 938   |              |                 |

From these results, it is clear that in both the positive response option and in overall ranking, Bank A1 is ranked first and Bank B1 is ranked second, whilst Banks A2 and D1 are ranked fifth and sixth respectively.

In relation to the response option ‘My saving behaviour remained unchanged’, the null hypothesis will be worded in the following way:

**There is no statistical difference between the banks with respect to the saving behaviour of retail depositors remaining unchanged.**

The output from the Chi-squared test computed in SPSS (see below) shows the Sig. value of  $<0.001$ , which means the result is significant, and there is, indeed, a relationship between a bank and the saving behaviour of retail depositors remaining unchanged.

*Output from the Chi-squared test with respect to the saving behaviour of retail depositors remaining unchanged*

|                              | Value               | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square           | 42.786 <sup>a</sup> | 5  | .000                  |
| Likelihood Ratio             | 42.641              | 5  | .000                  |
| Linear-by-Linear Association | 18.914              | 1  | .000                  |
| N of Valid Cases             | 938                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 24.25.

To rank the banks according to the performance of their retail depositors in this question, it is necessary to calculate  $\psi$  values for each bank for each of the response options in this question (as described in Chapter 4).

The original Question 13 ‘How did your saving behaviour change following the introduction of the deposit insurance scheme in 2004?’ has four response options, including the response option ‘My saving behaviour remained unchanged’, which is being tested against the bank as an independent variable in this instance. The rephrased question (for the purposes of this test) has two response options: ‘Yes’ (for those respondents who chose the original response option) and ‘No’ (for those respondents who did not choose it). Since one of the objectives of the establishing the DIS in Russia was to encourage household savings, it was hoped that respondents would not choose the original response option in Question 13 (indicated as ‘No’ in the rephrased question), meaning the response option ‘No’ is the positive response option for the purposes of calculating the  $\psi$  value. Reciprocally, choosing the original response options in Question 13 (indicated as ‘Yes’ in the rephrased question) was not anticipated and, therefore, will be considered as negative response options for the purposes of calculating  $\psi$  values.

With respect to the positive response option 'No', the ranking of banks is as follows.

*Ranking of banks based on their  $\psi$  values in relation to the positive response option 'No' in Question 13 'How did your saving behaviour change following the introduction of the deposit insurance scheme in 2004?'*

| Bank  | Count          | N     | $\psi$ value | Ranking |
|-------|----------------|-------|--------------|---------|
| A1    | Count          | 95    | 49.89        | 1       |
|       | Expected Count | 63.4  |              |         |
| A2    | Count          | 96    | -10.09       | 4       |
|       | Expected Count | 106.8 |              |         |
| B1    | Count          | 32    | 31.98        | 2       |
|       | Expected Count | 24.2  |              |         |
| C1    | Count          | 58    | -3.98        | 3       |
|       | Expected Count | 60.4  |              |         |
| D1    | Count          | 21    | -28.45       | 6       |
|       | Expected Count | 29.4  |              |         |
| D2    | Count          | 97    | -15.54       | 5       |
|       | Expected Count | 114.9 |              |         |
| Total | Count          | 399   |              |         |

With respect to the overall performance in this question, if the two  $\psi$  values (one per each response option) for each bank are summed up, it is possible to compile an overall ranking of banks in this question.

*Overall ranking of banks based on their  $\psi$  values in relation to Question 13 'How did your saving behaviour change following the introduction of the deposit insurance scheme in 2004?'*

| Bank  | Count          | N     | $\psi$ value | Overall Ranking |
|-------|----------------|-------|--------------|-----------------|
| A1    | Count          | 149   | 86.82        | 1               |
|       | Expected Count | 149.0 |              |                 |
| A2    | Count          | 251   | -17.55       | 4               |
|       | Expected Count | 251.0 |              |                 |
| B1    | Count          | 57    | 55.65        | 2               |
|       | Expected Count | 57.0  |              |                 |
| C1    | Count          | 142   | -6.92        | 3               |
|       | Expected Count | 142.0 |              |                 |
| D1    | Count          | 69    | -49.51       | 6               |
|       | Expected Count | 69.0  |              |                 |
| D2    | Count          | 270   | -27.05       | 5               |
|       | Expected Count | 270.0 |              |                 |
| Total | Count          | 938   |              |                 |

From these results, it is clear that in both the positive response option and in the overall ranking, Bank A1 is ranked first and Bank B1 is ranked second, whilst Banks D2 and D1 are ranked fifth and sixth respectively.

To establish whether the bank, as an independent variable, influences the retail depositors' perception of the influence the introduction of the deposit insurance had on the change in the saving behaviour, and considering the data in Question 14c 'The introduction of the DIS to a large extent influenced a change in my saving behaviour' is ordinal, it is appropriate to use the Kruskal-Wallis test.

The null hypothesis in this instance will be worded in the following way:

**There is no statistical difference between the banks with respect to the level of retail depositors' agreement with the statement 'The introduction of the deposit insurance scheme to a large extent influenced a change in my saving behaviour'.**

The output from the Kruskal-Wallis test computed in SPSS (see below) shows the Sig. value of 0.001, which means the result is significant, and there is a statistical difference between the banks with respect to the level of retail depositors' agreement with the statement 'The introduction of the deposit insurance scheme to a large extent influenced a change in my saving behaviour'.

*Test Statistics<sup>a,b</sup> with respect to the Question 14c*

|             | The introduction of the deposit insurance scheme to a large extent influenced a change in my saving behaviour |
|-------------|---|
| Chi-Square  | 21.943  |
| df          | 5   |
| Asymp. Sig. | .001  |

a. Kruskal Wallis Test

b. Grouping Variable: Bank

According to the ranks provided as part of the output from the Kruskal-Wallis test with respect to Question 14c (see below), it is possible to rank the banks in the order of a number of respondents providing positive answers (from the highest to the lowest): 1st – Bank A1; 2nd – Bank B1; 3rd – Bank D1; 4th – Bank D2; 5th – Bank A2; 6th – Bank C1.

*Output from the Kruskal-Wallis test with respect to the Question 14c*

| The introduction of the deposit insurance scheme to a large extent influenced a change in my saving behaviour | Bank  | N   | Mean Rank |
|---|-------|-----|-----------|
|   | A1    | 134 | 367.46    |
|   | B1    | 53  | 373.52    |
|   | D1    | 68  | 426.88    |
|   | D2    | 245 | 435.53    |
|   | A2    | 223 | 442.93    |
|   | C1    | 138 | 489.49    |
|   | Total | 861 |           |

## Appendix 13

### Interview Schedule (List of Questions) for Bank Clerks

1. Как долго Вы работаете на этой должности?
2. Какие должности и где Вы занимали до того, как перешли на эту работу?
3. Что входит в Ваши обязанности на работе?
4. Пожалуйста, объясните в нескольких предложениях, как работает система страхования вкладов?
5. Каковы цели системы страхования вкладов?
  - а. Читали ли Вы федеральный закон о системе страхования вкладов?
6. Пожалуйста, опишите процесс (стадии) открытия банковского вклада/счета?
7. Говорите ли Вы клиентам о системе страхования вкладов при открытии банковского вклада/счета?
  - а. На какой стадии?
  - б. Почему?
  - в. Какой должна быть сумма вклада/счета, чтобы Вы решили рассказать о системе страхования вкладов подробнее?
8. Подумайте о 10 обычных клиентах – сколько из них действительно читают текст договора об открытии вклада/счета перед подписанием?
  - а. Какими должны быть условия, чтобы клиенты все-таки прочитали текст договора?
9. Из этих же 10 обычных клиентов, сколько из них попросят дать более подробную информацию о системе страхования вкладов?
  - а. Что их больше всего интересует (какие аспекты системы страхования вкладов)?
  - б. Наблюдаете ли Вы какие-либо особенности (с точки зрения возраста, социального положения и др.) тех, кто спрашивает?
10. Какую информацию о системе страхования вкладов Вы предоставляете клиентам?
  - а. Каким образом Вы информируете клиентов об изменениях в системе страхования вкладов?
  - б. Вы лично знакомы с рекомендациями Агентства по страхованию вкладов «О порядке информирования банками вкладчиков по вопросам страхования вкладов»?
11. В какой форме Вы доводите эту информацию до сведения клиентов (*устно/письменно*)?
12. Вы лично, каким образом получаете информацию об изменениях в системе страхования вкладов?
13. По Вашему мнению, вкладчики (клиенты) хорошо ознакомлены с параметрами и порядком работы системы страхования вкладов?
  - а. Почему Вы так считаете?
  - б. Можете ли Вы привести какие-либо примеры?
14. Клиенты спрашивают Вас о системе страхования вкладов?
15. Что Вы сделаете, если клиент спросит вопрос о системе страхования вкладов, ответ на который Вы не знаете?

16. Изменились ли восприятие системы страхования вкладов среди Ваших клиентов в связи с финансовым кризисом?
  - a. Да – в каком плане?
  - b. Почему Вы так считаете?
17. Каким образом Вы бы изменили распространение информации о системе страхования вкладов?
18. Каким образом повлияло на Ваших клиентов введение системы страхования вкладов?
  - a. На их поведение по отношению к сбережениям?
  - b. Почему Вы так думаете?
  - c. Можете ли Вы привести какие-либо примеры?
19. Если бы Вы могли одним словом выразить ту пользу, которую принесла система страхования вкладов вкладчикам в целом (не только в вашем банке), – какое это было бы слово?

## Appendix 14

### Interview Schedule (List of Questions) for Heads of Branch

1. Как долго Вы работаете на этой должности?
2. Какие должности и где Вы занимали до того, как перешли на эту работу?
3. Что входит в Ваши обязанности на работе?
4. Каковы цели системы страхования вкладов?
  - а. Читали ли Вы федеральный закон о системе страхования вкладов?
5. Какие методы Вы используете для привлечения новых клиентов?
  - а. Вы используете факт своего членства в системе страхования вкладов?
6. Какие методы Вы используете с целью увеличения сумм вкладов уже имеющих клиентов?
  - а. Вы используете факт своего членства в системе страхования вкладов?
7. Пожалуйста, расскажите каким образом Ваш банк использует факт своего членства в системе страхования вкладов?
8. Были ли какие-либо изменения в структуре вкладов с момента вступления в систему страхования вкладов? (*Например, увеличение количества открытых банковских вкладов, увеличение сумм вкладов и др.*)
9. Какую информацию о системе страхования вкладов Вы предоставляете клиентам?
  - а. Каким образом Ваш банк проинформировал своих клиентов о вступлении в систему страхования вкладов?
  - б. Вы лично знакомы с рекомендациями Агентства по страхованию вкладов «О порядке информирования банками вкладчиков по вопросам страхования вкладов»?
10. В какой форме Вы доводите эту информацию до сведения клиентов (*устно/письменно*)?
  - а. Можно мне будет получить копию (если «письменно»)?
11. По Вашему мнению, что является для клиентов решающим фактором при выборе именно Вашего банка для открытия банковского вклада/счета?
  - а. По Вашему мнению, членство Вашего банка в системе страхования вкладов сыграло какую-либо роль в решении клиентов открыть банковский вклад/счет именно в Вашем банке?
    - і. Какую роль?
12. Кто является ответственным за предоставление/распространение информации о системе страхования вкладов в Вашем банке?
13. Вы лично, каким образом получаете информацию об изменениях в системе страхования вкладов?
14. Когда вносятся изменения в систему страхования вкладов, каким образом Вы информируете клиентов об этом?
15. По Вашему мнению, вкладчики (клиенты) хорошо ознакомлены с параметрами и порядком работы системы страхования вкладов?
  - а. Почему Вы так считаете?
  - б. Можете ли Вы привести какие-либо примеры?
16. Клиенты спрашивают Вас о системе страхования вкладов?
17. В обычном календарном месяце, сколько вкладчиков попросят дать более подробную информацию о системе страхования вкладов?



- а. Что их больше всего интересует (какие аспекты системы страхования вкладов)?
  - б. Наблюдаете ли Вы какие-либо особенности (с точки зрения возраста, социального положения и др.) тех, кто спрашивает?
- 18. Считаете ли Вы, что система страхования вкладов защищает права и интересы вкладчиков?
  - а. Какие подтверждения есть у вас в поддержку Вашего мнения? Вы можете привести какие-либо примеры?
  - б. По Вашему мнению, вкладчики знают больше о своих правах сейчас, чем до введения системы страхования вкладов?
- 19. Что Вы можете сказать об уровне финансовой грамотности россиян в целом и клиентов Вашего банка в частности?
  - а. Есть ли какие-либо различия и почему?
- 20. Какую бы оценку Вы поставили вкладчикам за знание о системе страхования вкладов (от 1 «единица» до 5 «отлично»)?
  - а. Не могли бы Вы объяснить, почему Вы так думаете? У Вас есть какое-либо подтверждение этого?
- 21. В Вашем банке существуют специальные правила по обслуживанию VIP-клиентов?
  - а. В чем существенное отличие в обслуживании таких клиентов – можно ли просмотреть внутренние инструкции?
  - б. Есть ли какое-либо отличие в предоставлении информации о системе страхования вкладов VIP-клиентам, по сравнению с обычными клиентами?
- 22. Каким образом, по Вашему мнению, изменилось поведение населения по отношению к сбережениям после введения системы страхования вкладов?
  - а. Считаете ли Вы, что есть какая-либо взаимосвязанность между изменениями поведения вкладчиков по отношению к сбережениям и введением системы страхования вкладов?
    - i. Да – Есть ли у Вас какие-либо подтверждения в поддержку этого?
    - ii. По Вашему мнению, это произошло только из-за работы системы страхования вкладов, или по какой-либо другой причине?
- 23. Каким образом, по Вашему мнению, изменилось доверие населения к банковской системе в целом после введения системы страхования вкладов?
  - а. Считаете ли Вы, что есть какая-либо взаимосвязанность между изменениями доверия вкладчиков к банковской системе и введением системы страхования вкладов?
    - i. Есть ли у Вас какие-либо подтверждения в поддержку этого?
    - ii. Нет – почему?
- 24. Изменились ли восприятие системы страхования вкладов среди Ваших клиентов в связи с финансовым кризисом?
  - а. Да – в каком плане?
  - б. Почему Вы так считаете?
- 25. Считаете ли Вы, что система страхования вкладов уже достигла или достигнет целей, для которых она была создана?
  - а. На основании чего Вы так считаете?
  - б. Приведите примеры, пожалуйста?
- 26. По Вашему мнению, каковы пути изменения (улучшения) системы страхования вкладов?

- а. Каким образом Вы бы изменили распространение информации о системе страхования вкладов?
- 27. По Вашему мнению, размер страхового возмещения в 700 000 рублей является обоснованным? Эта сумма соответствует потребностям Ваших клиентов?
- 28. В общем и целом, какую пользу принесла система страхования вкладов Вашему банку и Вашим клиентам?

## Appendix 15

### Interview Schedule (List of Questions) for Marketing Staff

1. Как долго Вы работаете на этой должности?
2. Какие должности и где Вы занимали до того, как перешли на эту работу?
3. Что входит в Ваши обязанности на работе?
4. Каковы цели системы страхования вкладов?
  - a. Читали ли Вы федеральный закон о системе страхования вкладов?
5. Какие методы Вы используете для привлечения новых клиентов?
  - a. Вы используете факт своего членства в системе страхования вкладов?
6. Какие методы Вы используете с целью увеличения сумм вкладов уже имеющих клиентов?
  - a. Вы используете факт своего членства в системе страхования вкладов?
7. Пожалуйста, расскажите, каким образом Ваш банк использует факт своего членства в системе страхования вкладов?
8. Были ли какие-либо изменения в структуре вкладов с момента вступления в систему страхования вкладов? (*Например, увеличение количества открытых банковских вкладов, увеличение сумм вкладов и др.*)
9. Какую информацию о системе страхования вкладов Вы предоставляете клиентам?
  - a. Каким образом Ваш банк проинформировал своих клиентов о вступлении в систему страхования вкладов?
  - b. Вы лично знакомы с рекомендациями Агентства по страхованию вкладов «О порядке информирования банками вкладчиков по вопросам страхования вкладов»?
10. В какой форме Вы доводите эту информацию до сведения клиентов (*устно/письменно*)?
  - a. Можно мне будет получить копию (если «письменно»)?
11. По Вашему мнению, что является для клиентов решающим фактором при выборе именно Вашего банка для открытия банковского вклада/счета?
  - a. По Вашему мнению, членство Вашего банка в системе страхования вкладов сыграло какую-либо роль в решении клиентов открыть банковский вклад/счет именно в Вашем банке?
    - i. Какую роль?
12. Кто является ответственным за предоставление/распространение информации о системе страхования вкладов в Вашем банке?
13. Вы лично, каким образом получаете информацию об изменениях в системе страхования вкладов?
14. Когда вносятся изменения в систему страхования вкладов, каким образом Вы информируете клиентов об этом?
15. По Вашему мнению, вкладчики (клиенты) хорошо ознакомлены с параметрами и порядком работы системы страхования вкладов?
  - a. Почему Вы так считаете?
  - b. Можете ли Вы привести какие-либо примеры?
16. Клиенты спрашивают Вас о системе страхования вкладов?
  - a. Что их больше всего интересует (какие аспекты системы страхования вкладов)?

- б. Наблюдаете ли Вы какие-либо особенности (с точки зрения возраста, социального положения и др.) тех, кто спрашивает?
- 17. Считаете ли Вы, что система страхования вкладов защищает права и интересы вкладчиков?
  - а. Какие подтверждения есть у вас в поддержку Вашего мнения? Вы можете привести какие-либо примеры?
  - б. По Вашему мнению, вкладчики знают больше о своих правах сейчас, чем до введения системы страхования вкладов?
- 18. Что Вы можете сказать об уровне финансовой грамотности россиян в целом и клиентов Вашего банка в частности?
  - а. Есть ли какие-либо различия и почему?
- 19. Какую бы оценку Вы поставили вкладчикам за знание о системе страхования вкладов (от 1 «единица» до 5 «отлично»)?
  - а. Не могли бы Вы объяснить, почему Вы так думаете? У Вас есть какое-либо подтверждение этого?
- 20. В Вашем банке существуют специальные правила по обслуживанию VIP-клиентов?
  - а. В чем существенное отличие в обслуживании таких клиентов – можно ли просмотреть внутренние инструкции?
  - б. Есть ли какое-либо отличие в предоставлении информации о системе страхования вкладов VIP-клиентам, по сравнению с обычными клиентами?
- 21. Каким образом, по Вашему мнению, изменилось поведение населения по отношению к сбережениям после введения системы страхования вкладов?
  - а. Считаете ли Вы, что есть какая-либо взаимосвязанность между изменениями поведения вкладчиков по отношению к сбережениям и введением системы страхования вкладов?
    - i. Да – Есть ли у Вас какие-либо подтверждения в поддержку этого?
    - ii. По Вашему мнению, это произошло только из-за работы системы страхования вкладов, или по какой-либо другой причине?
- 22. Каким образом, по Вашему мнению, изменилось доверие населения к банковской системе в целом после введения системы страхования вкладов?
  - а. Считаете ли Вы, что есть какая-либо взаимосвязанность между изменениями доверия вкладчиков к банковской системе и введением системы страхования вкладов?
    - i. Есть ли у Вас какие-либо подтверждения в поддержку этого?
    - ii. Нет – почему?
- 23. Изменились ли восприятие системы страхования вкладов среди Ваших клиентов в связи с финансовым кризисом?
  - а. Да – в каком плане?
  - б. Почему Вы так считаете?
- 24. Считаете ли Вы, что система страхования вкладов уже достигла или достигнет целей, для которых она была создана?
  - а. На основании чего Вы так считаете?
  - б. Приведите примеры, пожалуйста?
- 25. По Вашему мнению, каковы пути изменения (улучшения) системы страхования вкладов?
  - а. Каким образом Вы бы изменили распространение информации о системе страхования вкладов?

26. По Вашему мнению, размер страхового возмещения в 700 000 рублей является обоснованным? Эта сумма соответствует потребностям Ваших клиентов?
27. В общем и целом, какую пользу принесла система страхования вкладов Вашему банку и Вашим клиентам?

## Appendix 16

### Translation of Questions in Interview Schedule (List of Questions) for Bank Clerks

1. How long have you been working in this bank?
2. What positions have you occupied since the start of your employment in this bank?
3. What are your main duties?
4. Please explain, in a few sentences, how the DIS works?
5. What are the objectives of the DIS?
  - a. Have you read the Federal Law?
6. Please describe the process of opening of a bank account.
7. Do you tell the clients about the DIS when they open an account?
  - a. If so, at what stage of the process?
  - b. Why?
  - c. Does the amount of the deposit influence your decision as to whether or not to explain the DIS in detail?
8. Looking at 10 average depositors, how many of them actually read the contract when opening a bank account, in your opinion?
  - a. What are the possible conditions prompting clients to read it?
9. Of the same 10 average depositors, how many of them asked for additional information about the DIS?
  - a. Which aspects of the DIS interested them most?
  - b. Have you noticed any pattern (with regard to the age, social group etc.)?
10. What information on DIS do you provide to clients?
  - a. How did you notify the clients of this bank of its membership in the DIS?
  - b. Are you personally aware of the recommendations on how best to inform your clients about the DIS issued by the Central Bank?
11. What is the format of such information (*verbal/printed*)?
12. How do you, personally, get information on the changes in the DIS?
13. In your opinion, are depositors well informed about the parameters of and the compensation process under the DIS?
  - a. How did you come to this conclusion?
  - b. Can you give me any examples?
14. Do customers ask about the DIS?
15. What do you do if the client asks you a question about DIS and you do not know the answer?
16. Do you think the perceptions of DIS among depositors changed due to the financial crisis?
  - a. If so, in what ways?
  - b. How did you come to this conclusion?
17. How would you improve the dissemination of information on the DIS?
18. Was there any influence on depositors from the DIS?
  - a. On their saving behaviour?
  - b. Why do you say this? Can you give me any examples?
19. Overall, in your opinion, how did the DIS benefit your bank's depositors?

## Appendix 17

### Translation of Questions in Interview Schedule (List of Questions) for Heads of Branch

1. How long have you been working in this bank?
2. What positions have you occupied since the start of your employment in this bank?
3. What are your main duties?
4. What are the objectives of the DIS?
  - a. Have you read the Federal Law?
5. What methods do you use in order to attract new depositors?
  - a. Do you use your membership in the DIS?
6. What methods do you use in order to increase the sums of deposits by existing depositors?
  - a. Do you use your membership in the DIS?
7. Please explain how you use the fact of your bank's membership in the DIS?
8. Were there any changes in the structure of deposits since your bank entered the DIS?
9. What information on the DIS do you provide to your clients?
  - a. How did you notify the clients of the bank's membership in the DIS? (*active notification (telephone calls, letters by post, bringing their attention to the changes in the text of the account contract etc.) or passive notification (display of information on the DIS in the branch, display of marketing materials with information on the DIS etc.)*).
  - b. Are you personally aware of the recommendations on how best to inform your clients about the DIS issued by the Central Bank and Deposit Insurance Agency?
10. What is the format of such information (*verbal/printed*)?
  - a. Is it possible for me to have a copy of it (if printed)?
11. What, in your opinion, is the most significant factor for your clients when they open an account in your bank? (*e.g. high level of customer service, reputation of this bank, better condition of contract etc. compared to other banks*).
  - a. Do you think your membership in the DIS played any role in their decision to open bank account in this bank?
  - b. If so, what role did it play?
12. Who is responsible for providing information on the DIS to clients in your bank?
13. How do you, personally, get information on the changes in the DIS?
14. When changes occur, how do you communicate them to the clients?
15. In your opinion, are depositors well informed about the DIS?
  - a. Why do you say this?
  - b. Can you give me any examples?
16. Do customers ask about the DIS?
17. In an ordinary month, how many times will depositors ask you to give more information on DIS?
  - a. Which aspects of deposit protection are of particular interest to them?
  - b. Did you observe any difference in age, wealth or social groups when it comes to asking about the DIS?

18. Do you think the DIS protects the rights and legal interests of depositors?
  - a. Was it beneficial and, if so, how?
  - b. Do they know more about their rights than before the introduction of the DIS?
19. What can you say about the financial knowledge of the Russian population in general and of clients of this bank in particular?
  - a. Are there any differences and why?
20. How would you rate the depositors' knowledge of DIS on a scale from 1 to 5?
  - a. Why do you say this? Can you give me any examples?
21. Are there special rules for VIP clients in this bank?
  - a. What are the main differences in customer care?
  - b. Are there any differences in relation to the way the information on the DIS is provided to VIP clients and to ordinary clients?
22. How, in your opinion, did the saving behaviour of the Russian population change after the introduction of the DIS?
  - a. Do you think there is any correlation between changes in the saving behaviour of depositors and the introduction of the DIS in 2004?
    - i. If so, do you have any evidence to support this?
    - ii. Do you think it is only because of the DIS or is there any other reason?
23. How, in your opinion, did public confidence in the banking system change after the introduction of the DIS?
  - a. Do you think there is any correlation between changes in the confidence of depositors and the introduction of the DIS in 2004?
    - i. Do you have any evidence to support this?
    - ii. If not, why do you think it is the case?
24. Do you think the perceptions of the DIS among depositors changed due to the financial crisis?
  - a. If so, in what ways?
  - b. How did you come to this conclusion?
25. Do you think the DIS has achieved/will achieve its objectives?
  - a. Why do you say this?
  - b. Can you give me any examples?
26. Are there any ways, in your opinion, that the DIS could be improved?
  - a. How would you improve the dissemination of information on the DIS?
27. Do you think that the maximum insurance compensation of 700 000 roubles is reasonable? Does it satisfy the demands of the clients of your bank?
28. Overall, how did the DIS benefit your bank and its depositors?



## Appendix 18

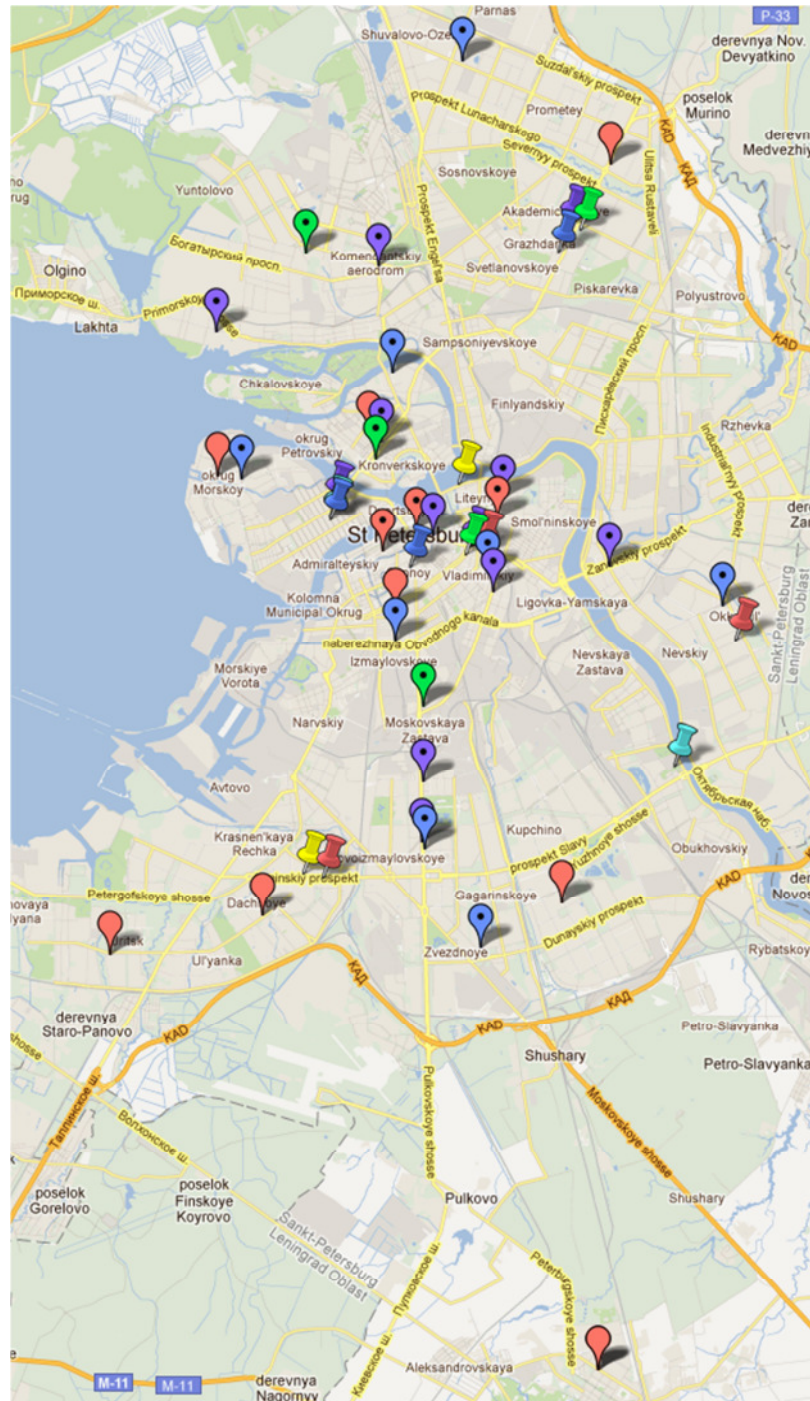
### Translation of Questions in Interview Schedule (List of Questions) for Marketing Staff

1. How long have you been working in this bank?
2. What positions have you occupied since the start of your employment in this bank?
3. What are your main duties?
4. What are the objectives of the DIS?
  - a. Have you read the Federal Law?
5. What methods do you use in order to attract new depositors?
  - a. Do you use your membership in the DIS?
6. What methods do you use in order to increase the sums of deposits by existing depositors?
  - a. Do you use your membership in the DIS?
7. Please explain how you use the fact of your bank's membership in the DIS?
8. Were there any changes in the structure of deposits since your bank entered the DIS? (*e.g. an increase in the number of deposits, an increase in the sums of deposits etc.*).
9. What information on DIS do you provide to your clients?
  - a. How did you notify the clients of the bank's membership in the DIS? (*active notification (telephone calls, letters by post, bringing their attention to the changes in the text of the account contract etc.) or passive notification (display of information on the DIS in the branch, display of marketing materials with information on the DIS etc.)*).
  - b. Are you personally aware of the recommendations on how best to inform your clients about the DIS issued by the Central Bank and Deposit Insurance Agency?
10. What is the format of such information (*verbal/printed*)?
  - a. Is it possible for me to have a copy of it (if printed)?
11. What, in your opinion, is the most significant factor for your clients when they open an account in your bank? (*e.g. high level of customer service, reputation of this bank, better condition of contract etc. compared to other banks*).
  - a. Do you think your membership in the DIS played any role in their decision to open bank account in this bank?
    - i. What role?
12. Who is responsible for providing information on the DIS to clients in your bank?
13. How do you, personally, get information on the changes in the DIS?
14. When changes occur, how do you communicate them to the clients?
15. In your opinion, are depositors well informed about the DIS?
  - a. Why do you say this?
  - b. Can you give me any examples?
16. Do customers ask about the DIS?
  - a. Which aspects of deposit protection are of particular interest to them?
  - b. Did you observe any difference in age, wealth or social groups when it comes to asking about the DIS?
17. Do you think the DIS protects the rights and legal interests of depositors?

- a. Was it beneficial and, if so, how?
  - b. Do they know more about their rights than before the introduction of the DIS?
- 18. What can you say about the financial knowledge of Russian the population in general and of clients of this bank in particular?
  - a. Are there any differences and why?
- 19. How would you rate the depositors' knowledge of DIS on a scale from 1 to 5?
  - a. Why do you say this? Can you give me any examples?
- 20. Do you have special rules for VIP clients in this bank?
  - a. What are the main differences in the customer care?
  - b. Are there any differences in relation to the way the information on the DIS is provided to VIP clients and ordinary clients?
- 21. How, in your opinion, did the saving behaviour of the Russian population change after the introduction of the DIS?
  - a. Do you think there is any correlation between changes in the saving behaviour of depositors and the introduction of the DIS in 2004?
    - i. If so, do you have any evidence to support this?
    - ii. Do you think it is only because of the DIS or is there any other reason?
- 22. How, in your opinion, did public confidence in the banking system change after the introduction of the DIS?
  - a. Do you think there is any correlation between changes in the confidence of depositors and the introduction of the DIS in 2004?
    - i. Do you have any evidence to support this?
    - ii. If not, why do you think it is the case?
- 23. Do you think the perceptions of the DIS among depositors changed due to the financial crisis?
  - a. If so, in what ways?
  - b. How did you come to this conclusion?
- 24. Do you think the DIS achieved/will achieve its objectives?
  - a. Why do you say this?
  - b. Can you give me any examples?
- 25. Are there any ways, in your opinion, that the DIS could be improved?
  - a. How would you improve the dissemination of information on the DIS?
- 26. Do you think that the maximum insurance compensation of 700 000 roubles is reasonable? Does it satisfy the demands of the clients of your bank?
- 27. Overall, how did the DIS benefit your bank and its depositors?

## Appendix 19

### Map of Branches of the Six Participating Banks<sup>681</sup>



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<sup>681</sup> Number of branches as at the time of data collection, March-May 2009. Branches marked with a push-pin are those where interviews took place. Bank A1 (blue colour) – 11 branches; Bank A2 (red colour) – 15 branches; Bank B1 (green colour) – 5 branches; Bank C1 (turquoise colour) – 2 branches; Bank D1 (yellow colour) – 2 branches; Bank D2 (purple colour) – 12 branches.